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EDITORIAL

As We See It

In one of his very first special messages, President Eisenhower handed to the Congress and to the world his proposal for dealing with the agricultural "problem." As had been expected, it promptly aroused the opposition of sundry politicians who fear the farm vote. Some of these latter gentlemen are said to admire the President's political courage, and in some cases to concede the truth of much that he has to say on this bedeviled issue, but memories of Mr. Truman's success in 1948 seem to chill them to the bone and put an end to any ambitions they may have had to consider agrarian issues from a broad national point of view.

If there is anywhere any serious disposition to take issue with the President's devastating attack upon the present farm program it has not come to our attention—that is any inclination to dispute the arguments presented except upon the ground that action based upon such an analysis would cost votes. For our part, we do not understand how any intelligent man not completely under the thumb of farm voters could possibly deny or undertake to challenge the force of the main arguments upon which the President rests his case for the necessity of change.

It is when the President's own program is placed under analysis that doubts—to use no stronger word—arise. It may be that what the President would have Congress do would in time bring some relief from the intolerable situation by which we are at present confronted. The relative degrees of undesirability of the two programs—the one we now have and the one the President would substitute for it—may or may

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The Credit Outlook

By GEORGE CHAMPION*
Senior Vice-President,
The Chase National Bank, New York

Executive of prominent New York banking institution, in explaining absence of bank loan expansion in second half of 1953, says it merely denotes return to a less hectic pace throughout our economy. Finds increasing use of commercial paper market by corporate borrowers. Gives reasons why business and bank lending will be maintained in immediate future, and expresses gratification Federal Government is abandoning its banking activities. Warns, however, we are in a readjustment period, and bankers should exercise caution and give guidance and constructive help to their borrowers over tough spots wherever possible.

I am particularly happy to have the opportunity of discussing "The Credit Outlook," for I can think of nothing more important or timely for all of us. It is timely because we meet today in an atmosphere of change, a return to more normal times, with problems confronting us that have been absent for many years. It is important because these more normal times also bring with them seeds of great opportunity—an opportunity of an entirely different nature than we have experienced in the period of inflationary expansion through which we have so recently passed. Meetings such as these help us all to put both our problems and our opportunities in proper focus, and they help us to define more clearly our common objectives in dealing with them.

George Champion

Now I should like to begin with some comments on where we have come from and where we now are, for as any sailor will tell you, it is desirable to have a log on these matters

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*An address by Mr. Champion before the National Credit Conference of the American Bankers Association, Chicago, Ill., Jan. 25, 1954.

Can We Stabilize Employment?

By JOHN L. McCAFFREY*
President, International Harvester Company

Noting our lack of achievement of the social goal of stability of employment, and that free market society will never attain it 100%, Mr. McCaffrey asserts there is still much that business can do. Cites as main factors preventing stability of employment: (1) strikes by labor unions; (2) technological development and progress; and (3) the very existence of the free market. Maintains expansion into foreign markets "helps but does not cure."

For more than 20 years now, the American people have been fascinated by the idea of stability as a general social goal.

This interest is a natural one, considering the times in which we live. We are about in the position of young Abe Lincoln when a neighbor boy offered him part of his gingerbread.

Lincoln said:

"I don't suppose anybody on earth likes gingerbread better than I do—and gets less than I do."

And I don't suppose there has been any recent generation that craved stability more than ours—or got less of it, from wars to depressions, from inflation to atom bombs.

John L. McCaffrey

Most of us who now hold responsible jobs in industry, finance, labor and government lived through the great depression. We were horrified by the hardships we saw or experienced then, hardships created by radical changes of prices, employment and incomes. We want to do everything in our power to prevent another disaster of that kind.

So we have probably done more talking, and more thinking, and undertaken more hopeful experiments related to the ideal of stabilization than any other gener-

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*A talk by Mr. McCaffrey before the 346th Meeting of the National Industrial Conference Board, New York City, Jan. 22, 1954.

PICTURES IN THIS ISSUE—Candid photos taken at the 28th Annual Dinner of the New York Security Dealers Association at Hotel Biltmore on Jan. 22, appear on pages 31 to 34.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

WILLIAM P. O'CONNOR, JR.

Partner, McDonnell & Co., New York City

Members New York Stock Exchange

Rohm & Haas

This ultra quality creative chemical producer is in position for a further period of most dramatic growth, the benefits of which will definitely get through to the stockholders. From the point of view of ultimate enhancement of capital without serious risk of loss, Rohm & Hass is unsurpassed. In spite of advance of about 20 points in the fourth quarter of last year, at 152 the stock is still selling at only about 12 times probable 1954 earnings. This is practically impossible to find where the company enjoys the reputation of providing the highest quality in every field where they compete, and has achieved a compound growth rate of nearly 14% a year.

Wm. P. O'Connor, Jr.

Rohm & Haas is an important producer, having total assets of some $80 million and sales running at the $120 million annual rate. Growth emphasis is on acrylic type plastics (PLEXIGLAS), Plasticisers, water dispersion acrylic paint bases, and ion exchange resins (AMBERLITE).

The advantages of Rohm & Haas acrylates are their relative color stability, crystaline appearance and ability to stand up under hard knocks and abuse. Ion exchange, speaking broadly, is the segregation or removal of minerals and impurities from solutions by chemical means in a very precise manner. The most common application is water softening. In modern technology there are many operations which require production of a chemical or metal in extremely pure form. Because this cannot be done mechanically ion exchange is employed either to recover the desired material or to remove impurities. Rohm & Haas is the leader in this field.

Aside from the Plexiglas domes for automobiles, one of the most interesting new developments for Rohm & Haas is the way the company's acrylic paint bases seem to be catching on—Montgomery Ward is introducing a line of acrylic-based paints. According to "Chemical Week" these paints can be applied over "hot" plaster, wet walls, will cover cinder blocks, and dry fast enough for two coats a day. From the point of view of the paint manufacturer acrylics are a dream; no special equipment is needed, paints can be formulated with hard water, no colloid is needed to maintain suspension, ability to take a high pigment load means paints with good covering power. The ease of manufacture makes it possible to price acrylic paints competitively.

Rohm & Haas carried a heavy burden of excess profits taxes in 1953. The excess profits tax per share was about $5, leaving approximate net earnings of $7 a share. Addition of the full excess profits saving to profits is a reasonable expectation. This means earnings for 1954 in the $12 per share area. This retention of almost $5 million in cash would make available an amount equal to about half the capital budget of the year. Depreciation and profits provide another $10 million. Even with taxes at the maximum rate, the return on equity capital is high at 13%.

The rate of growth has been somewhat above 13% a year in sales. The company has been obtaining about $1.60 of sales per dollar of gross plant investment, quite a high figure for the chemical industry. Although the growth rate might be retarded by a year of recession, that is not a serious risk and the abatement of the unusually large excess profits tax burden will permit quite a bulge this year. Inasmuch as the market for the company's products is strong, continued growth is expected.

The level at which Rohm & Haas sells might cause some people to hesitate, but all will agree that it is hard to find a stock at any price the future of which can be predicted with more confidence.

Rohm & Haas common is listed on the New York Stock Exchange.

RICHARD B. WILLIAMS

Kidder, Peabody & Co., New York City

Members New York Stock Exchange and American Stock Exchange

General Package Corp.

Just in case you are not as yet familiar with the name "General Package," this company, prior to the sale last May of its cellophane packaging division to Continental Can, was known as Shellmar Products Corporation.

R. B. Williams

The business now consists of the manufacture and sale of molded and box-board egg cartons and certain other molded paper products. The company hasn't revealed its sales rate on this activity, but it is believed that the Annual Report for 1953 will indicate a pro forma annual total moderately in excess of $20 million.

Earnings for the nine months ended Sept. 30, 1953 were equal to $3.62 on each of the 481,045 common shares outstanding, as compared with $2.06 per share for the similar 1952 period. Profits for the full year of 1953 may approximate as high as $4.50 per share, including a net capital gains profit of about $1 per share resulting from the sale of the cellophane packaging division, vs. $3.06 per share for 1952. Since the figures for 1952 include the cellophane packaging division, it appears, earningswise at least, that the remaining "part" is larger than was the "whole."

The outlook for 1954 and beyond is highly constructive. Management is able and aggressive, and the property sale last May put ample cash in the treasury for any expansion or acquisitions that may seem desirable. On Aug. 31, 1953, cash items totaled $14.4 million and current assets $18.2 million, vs. current liabilities of only $2.6 million. Depreciation allowances and retained earnings since that time probably covered subsequent capital expenditures, so that the financial picture at the end of 1953 likely reflected little change from the above status. Some considerable growth is anticipated as the installation of new equipment permits sales expansion in molded paper products other than egg cartons. There may also be some expansion westward — present plants are located in Morris, Ill., and Palmer, Mass.

In case the general business trend should turn adverse, it is rather reassuring to note that this Company supplies the packaging medium for one of the cheapest proteins known to man. An upturn in egg sales characteristically accompanies a downturn in demand for beefsteak. And if the selling price of egg cartons tends to decline under such conditions, so do the quoted levels for waste paper—the most important raw material.

A reasonable estimate for earnings in 1954 would pivot around $4.00 per share, as compared with operating earnings of around $3.50 per share in 1953. Such earnings might well lead to a year-end extra, supplementing the regular $2.00 rate. The latter yields something better than a tidy 6%.

For those who like generous asset values behind their investments, General Package Common offers a conservatively stated book value of close to $30 per share, and a net equity of over $22 per share in net current assets.

It is somewhat comforting to note that current cash items probably are about twice the amount of outstanding senior capitalization—consisting of approximately $2.0 million in long term debt and $4.8 million of 4½% convertible preferred stock (convertible at a price of approximately $41 per share into about 121,000 shares of Common stock). Hence, the Company has the ability to retire part or all of its senior obligations if management determines that some part of the cash on hand is unneeded for new business development and operating requirements.

This stock at around 32 is favored for accounts not demanding an extremely active market—sole listing is on the Midwest Stock Exchange. An eight-to-one price-earnings ratio seems quite reasonable, considering the favorable 1954 outlook, the recession-resistant nature of the business, the large asset values and the chances for some dividend increase in the comparatively near future.

Salesmen—Key to Nation's Business Health!

By L. L. COLBERT*
President, Chrysler Corporation

Asserting, in a basic sense, markets are what people make them, executive of a large auto producer holds health of nation's business depends to great extent on success of salesmen in persuading people to live well and to buy as much as they can afford. Urges business men create increasingly attractive goods and services, and sell them aggressively and confidently. Points to rapidly increasing population as a "priceless resource" for our immense and growing productive potential, provided the appetite of the people for a high and rising standard of living is encouraged. Contends few people are living better than they would like to, and almost every one desires to live better.

This is a time when all of us need as much information as we can get. We need it not only as food for thought but as a guide to action. The season of forecasting in 1954 is over and past. The time has come for getting on with the new year's business.

L. L. Colbert

Often we talk about the market for the goods we produce as if it were a vast impersonal force of nature—like a tide or a tornado. This is true, in part. In our free economy, the massive forces of the market are generated by the independent business decisions of merchants, bankers, and industrialists, and by the decisions of people generally as to when and how they will spend their money for the goods and services provided by business. No one can know in advance what these millions of separate decisions are going to be. Even if he did, it would take better electronic computers than we now have to predict the result in terms of market conditions. So it is no wonder that we sometimes feel there is something more than human about the vast and complex phenomena of the market — and beyond the ability of people to do anything about.

In a basic sense, however, markets are what the people make them. They are made by our efforts, by our decisions, by our confidence in ourselves and in our country—and most important of all, by the dimensions of our dreams and our desires.

Situation, One to Inspire Confidence

Certainly the panorama of the American economy that is spread out before us in January, 1954, is one to inspire confidence. In every state and county of America we see vital parts of a vast productive plant that has been growing year after year in size and versatility. It is big and powerful and flexible because it was made that way in response to people's needs and wants or in anticipation of them. In the last eight years alone American business concerns have spent $177 billion on factories, warehouses, pipelines, trucks, earth-movers — on the whole range of capital goods from electronic computers to automatic machine tools. And the rate of investment in plant and equipment is even higher now than it was in the early postwar years, when industrial firms throughout the country were racing to build up production to compete in the big easy markets ahead. We have built the means of delivering the goods in tremendous volume.

We also have the people who know how to make the American productive machinery perform effectively. I mean people of all kinds, from plant managers to the workers who operate the lathes and presses and transfer machines—from top level executives to secretaries and clerical people who have learned how to use the new office machinery. The number of people at work is close to the all-time high reached in the spring of 1953. And they are being paid at an annual rate of over $200 billion.

People have been paid well for their contribution to our national production; and they have been saving a substantial part of their wages and salaries. All of you remember the study of consumer finances made last year by the Federal Reserve Board which showed four out of every ten consumers with no debts at all; holdings nearly nine times the total of outstanding debts; and liquid assets, in savings and bank accounts and United States bonds, exceeding the total of their debts! Secretary Humphrey reported a few weeks ago that the sale of United States savings bonds in 1953 was the highest of any year since 1946. People have the means to buy what they need. And American business can produce what they need—and want.

Do People Want to Buy More?

The big question is—will the American people want as much and buy as much as they can afford to buy? It is this question above all others that needs to be discussed at the present time. And in my remarks here this morning

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*From an address by Mr. Colbert at the National Credit Conferences of the American Bankers Association, Chicago, Ill., Jan. 25, 1954.

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Articles and News

Regular Features

*No Canadian article this week.

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"1954—Recession—Depression—Recovery?"

"DEPRESSION"

By COLIN CLARK*
University of Oxford, England

Prominent Oxford economist predicts U. S. business depression amounting to a "fairly serious decline," with unemployment about as high as 1949. Lists as chief factors contributing to downturn: (1) scarce money; (2) Excessive inventories; (3) Surplus of fixed plant and equipment; and (4) Excessively high construction costs—with substantiation through mathematical measurements pictured on his original "flow chart" embodying his "Model Building" system of tracing the economy's course. To check the depression, Dr. Clark advocates creation of huge budget deficits amounting to $2 billion per month, along with drastic reduction in excise and similar consumer taxes.

I am approaching you, I hope, in a quite disinterested manner. I have no preconceived axe to grind. It is quite true what my opponent said. Out of my medicine bag all I am offering you is a jumbo package of some very simple medicine, and there is no reason why you should take it if you think it is the wrong medicine. You are entitled to go to a modern druggist and get some very expensive prescriptions made up for you or alternatively you rely on faith healing. I don't want to imply faith healing never works. It does for some patients, but I shouldn't rely on it.

Colin Clark

There was a faith healer
named Deal,
A fellow who said pain
isn't real;
When I sit on a pin and it
punctures my skin,
I dislike what I fancy I
feel.

And I hope I come as a well-wisher to this very hospitable country. I do not like the prospect of seeing millions of Americans out of work, American businessmen worried by falling sales, mounting losses. In that respect I do differ from a number of Europeans. There are, no doubt about it, a great number of Europeans, European writers and economists, politicians, whose dearest wish is to see a first-class depression break out in the United States. I won't say anything more about them except to say it is my firmest wish to be on the opposite side from their point of view. The point of view which has been very widely expressed in Europe is inherently that of the Marxists. Marxist is a wide phrase. It covers more than Communists. There are a number of non-Communist brands of Marxists, but they all share what seems to me the intolerable error of an entirely materialistic interpretation of history. And Marxists of all brands, including the moderate Marxists, have convinced themselves that the United States free enterprise system cannot work, that it is bound to create unemployment, and the working class, according to Marxist doctrine, never has enough money to buy the products of industry.

No Marxist

And the holders of this doctrine, whether you find them in Moscow or Paris, have just been counting the years, and as Professor Woytinsky pointed out, they have had to count quite a number of years, waiting for their preconception to come true. Let me state as clearly as I can I think the Marxian preconception is entirely false and erroneous. On the other hand, don't fall into the opposite error of saying that the United States economy can never go wrong. I think that is almost as foolish and dangerous an error. It is like any other humanly constructed organization, capable of going wrong and capable of being put right again. I think any sane man must take that position.

We are discussing in the friendliest possible ways just what is the degree of sickness and just what is the right medicine to take for it.

If things do go wrong and if the disease is not properly treated, I needn't remind you of the suffering it will cause in your own country, but let me ask you to consider for a moment what the effects are going to be everywhere else because the United States now has to carry a share of responsibility for what goes on everywhere else in the world. And I am not talking now of any material distress that may be caused in other countries. It may not be in fact very serious.

What I do ask you to consider as responsible men is the effect that the United States depression is going to have on the minds and opinions of men in every continent. And strange as it may seem, and we all know the facts, there are particularly in Asia and South America millions, possibly hundreds of millions of men whose minds are trembling in balance. I know Asia fairly well (I don't know Latin-America). And it is really alarming to see how many of the younger educated men, or perhaps it would be fairer to call them half-educated, are trying and toying with Marxist and Communist ideas, grossly misinformed as they often are. But it will require only the semblance of a depression in the United States to give the Communist propagandists all over the world exactly the implement they want to impress their ideas on the minds of susceptible and half-informed people. So please don't take any chances. Please realize what an effect on world history, not merely on United States history, any serious economic depression might have.

I am also, I hope, completely impartial so far as United States politics are concerned. We all of us have a certain number of political ideas of our own, but I try to be a nonpartisan economist in my own country and I am trying to be nonpartisan here.

What I would point out is that in your American political system you are in many ways very fortunate because, although you have, I understand, two political parties, their hold on Senators and Congressmen is very much less rigid than you find in any European parliament. It always pleases me on principle to see a Congressman voting against his party, and so long as you have a real balance of independent opinion among your legislators, you will avoid some of the worst errors and dangers to which so many other parliamentary systems are subject.

I think your founding fathers were extremely wise in separating

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*Embodying the contributions of Dr. Colin Clark and Professor Woytinsky before a round table session of the National Industrial Conference Board, New York City, Jan. 21, 1954.

"RECOVERY"

By W. S. WOYTINSKY*
Professor of Economics, Johns Hopkins University

Professor Woytinsky, calling attention to forecasting errors by "hysterical" prophets of doom since end of War, cites alleged falacies of mathematical equations as used by Dr. Clark to prdict business cycle. Emphasizes complex interrelationship of economic factors, particularly presence of dynamic recuperative forces. Predicts while current adjustments have not been completed, there will be no precipitous contraction of overall activity; and economy is now close to lowest point of its "recession de luxe," with late 1954 industrial production to rise 10%. Rejects Dr. Clark's anti-recession remedies; warning against energetic measures "too early and in wrong direction"; and instead advocates pinning faith on economy's dynamism and flexibility.

The Old Controversy

The danger signs of a slump in the United States, which Colin Clark announced in November, 1953, were first discovered by some American economists approximately a decade earlier, in 1943-44, when World War II was approaching its end. At that time they predicted that from 8 to 15 million persons would become unemployed either immediately after the end of hostilities, or 6 to 12 months later. When nothing happened, the prophets of doom postponed the fulfillment of their prophecy first to 1947, then to 1948. The readjustments in 1949, which marked the liquidation of the last vestiges of the war economy, brought forth a revival of gloomy forecasts: the slump was confidently set for 1950. When an unprecedented boom developed instead of the long-heralded depression, many economists were inclined to describe it as a temporary war prosperity based on blood and mud. In 1952 the danger signs appeared again in the columns and circulars of business forecasters. By the middle of 1953 some prophets became almost hysterical. In the last quarter of 1953 a more sober attitude began to prevail, and the gap between "optimistic" and "pessimistic" forecasts narrowed.

W. S. Woytinsky

Keynesian Rescue from Dullness

Indeed, the range of disagreement between the majority of bullish and bearish forecasts has been reduced almost to the margin of error inherent in projections of this type. The very business of economic forecasting was becoming dull when Mr. Clark's discovery — or rediscovery — of danger signs was published in the "Manchester Guardian." His articles have brought the controversy back to its starting point. His economic philosophy, the cure recommended and the generous dosage of the medicine prescribed are a vivid reminder of the time when Keynesian ideas characterized the "new look" in economic thinking in the United States; the time when one of the most energetic bureau chiefs in Washington was reported to have given his personnel manager the following order: "In view of the imminent depression, hire 40 economists of the Keynesian school!" The story does not tell us whether the slump was avoided thanks to this order, or for other reasons.

Before I discuss the theoretical background of all these gloomy forecasts and present my own views on current economic developments, I would comment briefly on Mr. Clark's program of action.

Colin Clark's Program of Action

Mr. Clark offers two alternative programs for checking the slump: To cut taxes, beginning on July 1, by about $20 billion per annum (without reducing government spending), or as "the only other feasible proposal," to extend long-term, low-interest, or no-interest-bearing loans of similar amount to countries willing to spend the proceeds immediately on buying American products.

Doubting the Tax Remedy

To secure an immediate effect, Mr. Clark recommends that the cuts in taxes be concentrated on excise and other consumption taxes. Since our taxes of this type are mainly levied on alcoholic beverages, tobacco, motor vehicle products, and certain luxury articles, their remission will affect, first of all, these groups of goods. Their retail prices will go down, leaving additional purchasing power in the hands of consumers. However, one has to drink barrels of excise-free beer before he saves enough excise pennies to

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*Embodying the contributions of Dr. Colin Clark and Professor Woytinsky before a round table session of the National Industrial Conference Board, New York City, Jan. 21, 1954.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

No significant variation occurred in over-all industrial output for the country as a whole last week from that of the previous period, but a comparison with the similar week a year ago reflects some slight contraction in volume.

For the latest reporting week ended Jan. 9, it is noted that total claims for unemployment insurance benefits rose 14% and were about 55% above the level of a year earlier. Lay-offs spread throughout a number of industries, including railroads, machine shops, consumer durables producers and farm equipment makers.

Last week it was further reported that additional lay-offs were scheduled for the television receiver manufacturing field. General Electric Co. stated 1,800 workers at its Electronics Park division at Syracuse, N. Y., and 350 at its parts plant in nearby Auburn would be furloughed for a week, starting Feb. 1. The Columbia Broadcasting System announced 400 employees would be idled temporarily on Monday of this week at its Hytron Division's television and radio tube plants in Danvers, Newburyport and Salem, Mass.

Living costs declined 0.1% in the month to mid-December, according to the Bureau of Labor statistics of the United States Department of Labor. This brought the Bureau's consumer price index to 114.9% of the 1947-49 average. At this level it was 0.7% higher than a year earlier. The dip in the latest period was caused by lower transportation and clothing costs. Prices in all other categories were unchanged or slightly higher, with food up 0.3%.

There is little chance that steel business will perk up as fast as producers had expected. The ingot rate has settled into a mid-70 groove from which it is not expected to deviate more than a few points during the next several weeks, "The Iron Age," national metalworking weekly, states the current week.

But steel sales people haven't given up on their market. A number of them still expect an upturn in business, although they now look for it to come later than had originally been anticipated. That would be some time in March, it reports.

Steel firms are scrutinizing all operations to improve their efficiency and customer service. One of the things they have learned is that they can book, make and deliver steel a great deal faster than they thought they could. The faster service is being demanded and obtained by inventory conscious customers, notes this trade magazine.

At current level of operations, major producers are still doing fairly well, but nonintegrated and smaller producers are badly in need of orders.

There are growing indications that some products are due for a pickup. Settlement of the can company strike has helped tinplate producers, although some of them are still loaded with inventories accumulated during the strike. One large producer believes tinplate output for the year may average 80% of capacity, observes "The Iron Age."

Also, it continues, stainless steel business is staging a strong comeback and producers are convinced the worst is behind them—at least for a while. Hurry-up orders indicate that some users might have carried their inventory correction too far.

Oil country goods and structurals are still the strongest props in the market, it adds.

Steel customers, this trade weekly notes, are winning additional concessions on freight and extra charges. And premium prices have practically melted away. Yet regular mill base prices remain firm. Steel producers will be reluctant to make any major price changes until a new wage contract has been negotiated. Current agreements with most companies expire June 30 of this year.

Steel warehouses appear to have passed their low point and business is expected to pick up moderately. Some warehouses were particularly hard hit during December and January. And there has been some price nicking to get inventories in better balance. This distress material is believed to have been pretty well cleaned up, this trade authority concludes.

In the automotive industry, production last week rose to 118,592 units, topping both the 114,148 cars assembled the week before last and the 112,955 units put together in the corresponding week a year ago, according to "Ward's Automotive Reports."

This trade authority notes a sharp increase in General Motors

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Bankers Hail Moderate Interest Rate Rise

Chase National Bank officials point out interest rates for several years have been abnormally low, and recent rise has been only moderate.

In their Annual Report to stockholders for the year 1953, John J. McCloy, Chairman, and Percy J. Ebbott, President of the Chase National Bank of New York, pointed to higher interest yields as a factor in the Bank's increased earnings, remarking:—

"A special word may be said about the course of interest rates during 1953, since they were the subject of considerable comment, not all of it well-informed. The average interest rate earned on loans by the Chase National Bank in 1953 was 3.38%, compared with 3.14% in the previous year. Similarly the average rate earned on investments by Chase advanced to 1.82% from 1.55%. At year end the rate charged for business loans of the highest quality stood at 3.25%, the level to which it had been raised from 3% in April, 1953.

"This relatively moderate upward movement of interest rates was experienced by almost all banks throughout the nation. It was the result of the normal working of the market for credit and reflected the strong demand for loanable funds in a period of business expansion and heavy government financing. The new level of interest rates brought many recipients of interest income a well-deserved increase in return.

"The fact that interest rates for many years were abnormally low, and even today are moderately so, is not widely appreciated; nor has the effect of these low rates on bank earnings and the structure of banking been sufficiently understood. The rate of 3¼% for business loans of highest quality, while above the rate of 2% in 1949, is far below the rates of 4% to 6% which were common prior to the decade of the thirties. Moreover, this rate is substantially lower than comparable rates in other countries—the rate in Canada, for example, is 4½%.

"Higher interest yields in 1953 resulted in an increase in the earnings of the Chase National Bank, as with other banks. Yet even in 1953 bank earnings were low in comparison with other industries. Thus, the return for Chase on capital funds as of year end 1953 was 14.4% before taxes, and 7.1% after taxes. This 7.1% return might properly be compared with an average return of 12.3% after taxes for a representative group of about 1,800 manufacturing companies in 1952—the latest date for which figures are available, and a year of somewhat lower profits than 1952."

With Ferrell and Ferrell

(Special to THE FINANCIAL CHRONICLE)

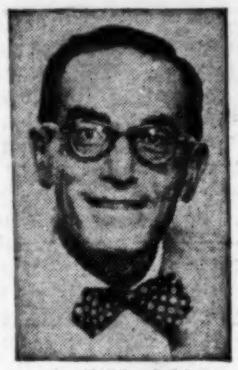
GRAND JUNCTION, Colo. — Robert F. Maffey is associated with Ferrell & Ferrell, 411½ Main Street.

Observations . . .

By A. WILFRED MAY

The Persistently Sad Status of Forecasting

A most authoritative and altogether splendid "New Look" at the current status—or lack of it—of forecasting was afforded during the past week through the instrumentality of two top-flight fullest-dress "Outlook" bull sessions held in our fair city. The much-publicized Australian prophet-of-doom, Professor Colin Clark, imported for the occasion, was head-man at the prediction jamboree staged in twin hotel ballrooms by the National Industrial Conference Board last Thursday, as well as at the more relaxed proceedings of the Committee for Constitutional Government the following evening.



A. Wilfred May

As is constantly characteristic of the reading and listening public, its interest was correlated with the degree of bearishness of the predictions—or rather with the advance billing of pessimism.

It should be noted that our own skepticism has nothing to do with the particular conclusions promulgated — whether "bullish" or "bearish" — but rather results from the renewed authoritative revelation of the vulnerability, if not complete futility, of *all* economic forecasting.

For example, Professor Clark, in basing his grim forebodings on four factors—allegedly scarce money, high inventories, surplus of fixed plant and equipment, and excessively high construction costs—embraces the common fallacy of *selecting* those elements fitting a conclusion without objectively citing the offsetting factors.

Again, Clark's anticipation of U. S. depression, whose suggested remedying is to cost us $20 billion in deficit financing (via tax cuts, expenditures and IOU's), persistently overlooks the fundamental *interrelationship* of economic data, particularly indexes and series, and does not take into account the uncertainty of the human psychological factors prompting the behavior of the 150,000,000 people so importantly shaping our economy's course. There is no way for Dr. Clark or any other forecaster, whether armed with slide rule or not, to know in advance how the public would actually use the surplus purchasing power pumped out to them; or even how they would react to the prospect of inflation.

Dr. Clark seems also to have committed the forecaster's common error of subsequently changing a prediction to accord with ensuing events—akin to the stock market forecaster's keeping of a weather eye on the ticker. In his famed *Manchester Guardian* articles of Nov. 19 and 26, last, that caused such a stir two months ago, he had stated that the United States was on the brink of a drastic depression of 1929-33 dimensions whose repercussions would be heard 'round-the-world. Now, after this horrendous prospect has not materialized, he shifts his position to speaking of a mere recession of the 1949 type, with a fall to $330 billion in the output of goods and services; but no major economic slump.

Continued on page 55

Business and Finance Speaks After the Turn of the Year

HERBERT J. ADAIR

President, Artloom Carpet Co., Inc.

Almost everyone is now attempting to make an estimate of the probable changes in the economy as a whole for 1954.

In floor coverings, the total dollar volume of carpets and rugs sales may decline as much as 15 to 20% in 1954 below 1953, because of the fact that there will be a larger quantity of cheaper cotton rugs sold, in our opinion, now finding a mass market, which perhaps may mean in yardage that the total volume in yardage will equal 1953, but dollar sales value less. In all probability, there will be lower prices in expensive wool carpets because of the new type of fibres that have been produced which may be blended with wool at a less cost.

Herbert J. Adair

In connection with plant and equipment outlays, it would seem that most expenditures are budgeted for 1954 about 5% lower than 1953. Inventories generally are planned to be reduced overall an amount of approximately 5%, and the same percentage is anticipated in the major industries for an overall reduction in production. There seems to be little change, if any, from the 1953 totals in residential construction, at the most, a moderate reduction.

One of the many difficulties that the carpet manufacturer is under today is the present tariff in enabling the foreign manufacturer to take a constantly increasing share of the American market. The average earnings of workers in the British carpet and rug mills amounted to $26.38 per week in April, 1953, and during a comparable period, the employees in the American carpet mills received $70.53 per week. Added to the American figure is an additional labor cost to American industry of $8.64 per week in fringe benefits which are entirely paid for by the industry.

Since 1946 the annual rate of growth in imports and machine-made rugs and carpets averaged 28% per year, and domestic output here decreased at an average annual rate of one-half of 1%. The foreign imports mean a loss of about three weeks per year for each production employee in the carpet industry.

In 23 years the tariff has been cut from 60% to the present 25% ad valorem. Tariffs to offset the low wages paid to the foreign workman and to protect the high wages paid to the American workman are a reasonable request. If the present tariff remains as it is, the foreign producer will likely increase his share of the American market.

On a whole, looking at 1954, it is felt that the year in the carpet industry should approximate the same as 1953.

EDWIN J. ANDERSON

President, Goebel Brewing Co.

The brewing industry enters 1954 with a good year behind it, low inventories and with expanding and modernized facilities. The outlook is favorable but the keynote is one of competition.

Edwin J. Anderson

A modest recession is forecast in 1954 though savings are at an all-time high and disposable income is estimated as approximately the same as 1953. This indicates the competition for brand preference at the retail level will be in terms of substantially the same amount of consumer dollars. The brewing industry's share of that consumer dollar can only be increased by more aggressive selling in relation to the efforts of industry as a whole.

The expansion of the facilities of national breweries with new plants in California will be practically completed by late spring. In effect this means additional capacity also for their huge midwest and eastern markets by relieving the burden of western shipments. It provides the background for more intense competition nationally as well as in California.

Many moderate size breweries have also expanded and modernized their facilities in the past year and are ready to challenge the leaders on a national scale. The regional breweries are also girding for action to maintain their sales against there potential inroads.

I would, therefore, forecast substantial increases in sales, advertising and promotional efforts in 1954. Breweries who use these sales tools most effectively will, as always, be successful in 1954 but the rate of casualties will increase among the less efficient. The overall effect of this more aggressive selling should result in increased beer consumption and a good year industry-wise.

MORE BUSINESS FORECASTS

For various reasons some of the 1954 business forecasts prepared for the CHRONICLE could not be accommodated in our ANNUAL REVIEW and OUTLOOK ISSUE of Thursday, Jan. 21. The remaining unpublished statements appear in today's issue, starting on this page. — EDITOR.

ROBERT O. ANDERSON

President, Malco Refineries, Inc.

The outlook for oil in 1954 is one of many complexities. The short range viewpoint is certainly not a comfortable one, yet there are several factors that could shift our present oversupply of petroleum toward a relatively tight one.

If the United States were to experience a fairly cold winter during the remaining months until spring, and our national economy remain strong, the total demand for products in 1954 would probably far exceed present estimates. While I find it difficult to believe that there will be any shortage of supplies in either crude or products, I feel very strongly that 1954 will be an extremely significant year for the industry, and will probably establish a definite trend in petroleum supply and markets that will set the pattern for several years to come.

Robert O. Anderson

While the present trend has been anything but optimistic, there are powerful economic forces that cannot be overlooked. The effect the industry has felt from over-expansion (largely in the interests of national defense) plus the loss of markets due to the rapid expansion of natural gas and the dieselization of railroads are all factors whose effects will tend to taper off rapidly, if total demand increases appreciably in 1954.

A condition that has further aggravated the over supply position has been the general decline in world tanker rates, which has permitted far more extensive importing than would be possible under a more normal charter structure. A strengthening of tanker charter rates would have a profound influence on our domestic supply, and generally speaking, it is a factor that has been overlooked by many people in the industry.

The outlook for gas, generally speaking, is good; however, I believe that the period of rapid expansion is definitely over, as the field prices of gas are starting to rise toward a more competitive level with other fuels. This factor, plus the difficulty of obtaining the vast reserves needed for new trunk lines, are already slowing the fabulous expansion the gas industry has experienced during the last 8 years. The recent Supreme Court decision threatening Federal Power Commission regulations on the field price of gas added tremendous confusion to the scene, and will make the obtaining of additional gas supplies even more difficult.

In general, 1954 is a year to view with caution in the oil industry, yet it is certainly one that has some intriguing possibilities as a key to the future.

K. P. APPLEGATE

President, The Hartford Electric Light Co.

The 1954 outlook for business in Greater Hartford is good. Since a utility is tied to the area it serves by reason of large investments in fixed plant facilities, its business is dependent, both short and long range, on the businesses and industries it serves, and by the very nature of things, a utility keeps in close and intimate contact with its customers and their plans. Our surveys of our customers are the basis for our forecast that business in the Hartford area will be good in 1954.

K. P. Applegate

Each region of course has its peculiar characteristics and it is necessary to understand these when evaluating forecasts. Greater Hartford has three principal factors in its economic makeup — mercantile, insurance and metal fabrication industries. Within each of these principal groups there is considerable diversification. The accent is therefore on stability, combined with a steady, but not spectacular growth. Historically, economic swings in this area have had smaller ranges in magnitude and longer intervals than in most industrialized areas.

The insurance business has shown a steady, almost spectacular growth since the war. This promises to continue into the foreseeable future. The result is a marked growth in employment, in the building of new home office buildings, and in businesses serving the insurance field. Nineteen fifty-four promises to be a continuation of 1953's progress.

Likewise, mercantile and the service trades are forecasting a good year in 1954. While it is not thought that retail sales will show the growth of some of the previous years, the outlook is for some bettering of 1953 figures, overall.

In the manufacturing field, the situation is strongly colored by the activities of Pratt & Whitney Division of United Aircraft Corporation. It has been announced that this company has received substantial contracts for its J57 jet engine.

Even more important, it has been indicated that several new models of military planes will carry this engine. Certainly, in 1954, and undoubtedly for a longer period, this company promises to be at a very high level of employment. The effect of this is pronounced on the company's many sub-contractors in the area.

While some of our company's other industrial customers report some softening in their lines, the consensus of the whole is that 1954 will be a slightly better year than 1953.

The result of all the above is that our company's sales in its franchised area for 1954 are forecast to exceed 1953 by approximately 5.8%, whereas 1953 sales exceeded 1952 by approximately 5.2%.

ARTHUR K. ATKINSON

President, Wabash Railroad Co.

The railroads in 1954 will be confronted by more difficult financial problems than any which have faced them since before World War II. With freight volume depending upon the level of general business activity, even a minor slackening of pace can result in the serious shrinking of revenues. The trend of carloadings, which has been off more than 10% in the last several weeks of 1953, is expected to continue at the lower level for the first half of 1954. Similarly, passenger traffic, down nearly 8% during 1953 compared with 1952, is continuing the trend which began in 1946. In addition to the problem of diminishing traffic, the railroads have been presented with unprecedented demands by the labor unions for higher pay, longer vacations, and other fringe benefits.

Arthur K. Atkinson

Railroad profits, which have been a fraction over 4% on net property investment in the last few years, will be squeezed even more, with the result that maintenance and improvement programs may have to be curtailed. While most of the rail carriers are well along with their postwar modernization programs, it will be unfortunate if they find it necessary to cut back their expenditures for additions and betterments. These expenditures have averaged better than a billion dollars a year since the end of World War II. It is through the acquisition of new freight cars, the conversion to Diesel operation, and the adoption of modern methods of maintenance that the railroads have been able to hold their operating ratios to near normal levels in spite of rising costs during the postwar years.

While many dangers face our industry as we head into 1954, there are also bright prospects for long overdue changes in the regulatory law and in the tax picture. We are hopeful that the measure known as the "Time Lag Bill" now pending before Congress will be approved so that the machinery for adjusting transportation rates can be geared closer to the changing level of the national economy. The challenge to give real meaning and effect to the National Transportation Policy may also be met by Congressional action to require the regulatory agencies of the government to establish a condition of fair and unhampered competition in the transportation industry. I am also looking forward to the repeal of the emergency war taxes on the transportation of persons and property which have served to divert a substantial volume of passengers as well as freight from the common carriers.

In 1954 the railroads will continue their research for new devices and better methods. It is only through these efforts that their speed, safety, dependability, and efficiency can be further improved.

In spite of the serious problems facing the railroads for the future I have every confidence that like the nation, we have grown stronger with maturity, and that we will find the way to not only meet them squarely but overcome them so that we will be able to render even better transportation service to the general public and to American industry in the years to come.

Continued on page 23

Future Cities

By ROGER W. BABSON

Asserting "revolution will take place in factory locations," Mr. Babson foresees decentralization of factories, because of the parking problem and heavy fire losses. Says factories can receive better trainees from rural schools, and more autos are available to rural employees. Concludes large cities and surrounding small towns should cooperate more for the joint good of all.

As the development of good roads followed the increased operation of automobiles, so the decentralization of factories will follow the increased nuisance of parking. Parking facilities are as inadequate and the parking problem as unsolved today as was the highway problem when we had only dusty dirt roads. Parking lots may be only a temporary solution. The real answer is moving factories into rural sections and having the cities take in these suburbs.

Roger W. Babson

Another serious problem is loss by fires. These are tremendously heavy and costly today. Fire, occupancy and business insurance are great helps; but these cost money. Such insurance protects us against our own losses; but not against the constantly increasing total fire loss. This can be accomplished only through more fire-alarm boxes, more sprinkler systems, better construction and "housekeeping." What with all these we must finally resort to more decentralization.

Employment Problems

Every year more up-to-date manufacturers are operating schools for training employees. To compensate for increased wages and meet competition employees must be better trained. The first cost of such training seems high to old-time employers; but it pays by reducing turnover. One of the best investments which a corporation can make is in the finding and training of seriously-minded young people for its organization.

Most of the factor schools and the college, public and private engineering schools are in cities. As a result, they attract mostly "city" young people, who too often have led "soft" lives and are not so likely to make ambitious employees. As a rule, better trainees can best be secured in the rural schools surrounding a city, where boys are trained to work and save in the home. These young people usually make the best workers.

Everyone Has Auto

In view of the above, I forecast that even before a factory leaves a big city and moves out into a rural section it may have its training schools in a rural or suburban section, rather than in the center of a big city where the factory is now located. This would enable the factory to attract and train country young people. A few years ago this would have been impracticable because of lack of transportation; but today almost every boy with any mechanical ability has a second-hand car. In fact, if a boy has not ingenuity enough to fix and operate a car, he is not the kind of a boy that the school wants. Such a program would later bring better young people into our cities as employees. It would also relieve some pressure now on the public trade schools giving mechanical instruction. Thus the cities and the factories, the surrounding rural country and its young people would all benefit.

Benefits the City

Anything which helps solve the parking problem for a city ultimately helps the city. It may, therefore, help cities to have certain factories move out into the country. Cities are intended to be great shopping centers. This means that we should favor the merchants and their stores in every reasonable way — good roads, plenty of parking space, low taxes, and friendly people. Public schools dependent upon taxes could well afford to train the students to be courteous under all conditions.

How a combination of cities and rural sections will be brought about I do not know; but it seems inevitable. All large cities and their surrounding small towns have their usefulness. They should cooperate more for the joint good of all. By so doing we will have better cities and better towns.

Crooks Not Candidate For NYSE Reelection

Richard M. Crooks, Chairman of the Board of Governors of the New York Stock Exchange, has announced that he would not be available for reelection as Chairman. Mr. Crooks, whose term as Chairman ends on May 17, made his decision known in a letter to the Nominating Committee of the Exchange.

Mr. Crooks, 48-year old partner in the firm of Thomson & McKinnon, has been a Governor since 1941 and was named Vice-Chairman in 1950. In 1951 he was elected Chairman and was reelected to that office in 1952 and again in 1953.

In 1951, following the retirement of Emil Schram in May, Mr. Crooks acted as President, in addition to his duties as Chairman, until Keith Funston took over as President in September, 1951.

The Nominating Committee of the Exchange will submit to the membership a slate of officers for Chairman, nine Governors of the Exchange and two Trustees of the Gratuity Fund, on April 12. Members will vote on May 10.

St. Louis Municipal Dealers Plan Outing

ST. LOUIS, Mo.—On Thursday, April 29, and Friday, April 30, 1954, the **St. Louis Municipal Dealers Group** has made arrangements to hold its "Annual Outing" in St. Louis. As before the guests will be "by invitation."

With Baxter, Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Albert L. Rosen has been added to the staff of Baxter, Williams & Co., Union Commerce Building, members of the Midwest Stock Exchange.

With Scherck, Richter

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Leonard Zellinger is with Scherck, Richter Company, 320 North Fourth St., members of the Midwest Stock Exchange.

Join Trusteed Funds

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Patricia A. Casey, John T. O'Leary and Jerome M. O'Toole have joined the staff of Trusteed Funds, Inc., Park Building.

Alm, Kane Firm Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Paul E. Behrens has been added to the staff of Alm, Kane, Rogers & Co., 39 South La Salle Street.

With Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William F. Garrow has joined the staff of Founders Mutual Depositor Corp., First National Bank Building.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — J. Edward Dillard is now with Hamilton Management Corporation, 445 Grant Street.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Annual Review and Forecast—Current discussion of underlying economic trends and their probable effect on business—Manager, Research Department, H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Area Resources—Booklet on the Utah-Idaho-Wyoming-Colorado area—Dept. K, Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

Bank Stock Earnings, 1953—Bulletin—A. M. Kidder & Co., 1 Wall Street New York 5, N. Y.

Banks and Trust Companies of New York—Comparative figures as of Dec. 31, 1953—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is a bulletin on the **Bond Market.**

Common Stocks—Suggested portfolio—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y. Also available is a suggested list of **"Business Man's Risks."**

Dividend Income Tax Exemption Beneficiaries—List of possible stocks to benefit from such tax exemption—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Earnings & Dividend Payments of major Japanese companies — In current issue of "Stock Bulletin" — Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Income Record of Personal Investments for 1954—Special form to assist in compiling tax returns—also contains list of commission rates and Province of Ontario Taxes—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Metals: 1954 — Brochure — Bache & Co., 36 Wall Street, New York 5, N. Y.

New York City Banks—Comparative analysis as of Dec. 31, 1953—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

New York City Bank Stocks—Comparative figures at Dec. 31, 1953—First Boston Corporation, 100 Broadway, New York 5, N. Y.

New York City Bank Stocks — Year-end comparison and analysis of 17 bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Northern New Jersey Banks—Comparative report—Parker and Weissenborn, Inc., 24 Commerce Street, Newark 2, N. J.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Popular Blue Chips—Over-the-Counter—"Highlights No. 25"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Textiles — Bulletin with special reference to **Cannon Mills, Cone Mills Corp., J. P. Stevens & Co.,** and **M. Lowenstein & Sons**—H. Hentz & Co., 60 Broad Street, New York 4, N. Y.

Turnpike Bonds — Bulletin — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

* * * *

American Gas and Electric Company System—Financial and operating information—American Gas & Electric Company, 30 Church Street, New York 7, N. Y.

Boston & Providence—Data—Vilas & Hickey, 49 Wall Street, New York 5, N. Y. Also available is data on **Western Maryland.**

Central of Georgia Railroad—Analysis—Varnedoe, Chisholm & Co., Inc., Savannah Bank & Trust Building, Savannah, Ga.

Chesapeake Industries — Memorandum — Gottron, Russell & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

Chicago Corporation—Analysis—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Dominion Tar & Chemical Company, Limited—Analysis—R. A. Daly & Co., 44 King Street, West, Toronto 1, Ont., Canada.

Fire Association of Philadelphia — Table of related prices — Geyer & Co. Incorporated, 63 Wall Street, New York 5, N. Y.

Glenn McCarthy, Inc.—Prospectus—B. V. Christie & Co., First National Bank Building, Houston 2, Tex.

International Harvester Company — Analysis — Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Liberty Products Corp.—Memorandum—Granbery, Marache & Co., 67 Wall Street, New York 6, N. Y.

Loew's Inc.—Memorandum—F. L. Rossmann & Co., 120 Broadway, New York 5, N. Y.

Pennsylvania Railroad Company—Analysis of the bonds—Bulletin No. 152—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Phillips Packing Co.—Memorandum—Richard E. Kohn & Co., 20 Clinton Street, Newark 2, N. J.

Puget Sound Power & Light—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Riverside Cement Company—Analysis—ask for report T-31—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Siemens & Halske Corp.—Bulletin—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Sterling Drug, Inc.—Memorandum—David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill.

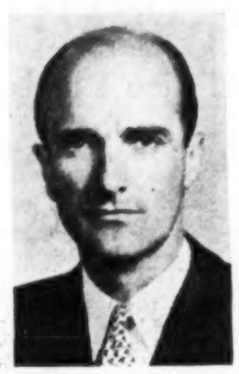
Suffolk County Water Authority — Memorandum — Malvern Hill & Co., Inc., 115 Broadway, New York 6, N. Y.

Utah Power & Light Company—Analytical brochure—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Ventures, Limited—Analysis—L. S. Jackson & Company, Limited, 132 St. James Street, West, Montreal, Que., Canada.

NSTA Notes

SEATTLE SECURITY TRADERS ASSOCIATION



W. T. Patten Jr.

F. Kenneth Easter

Howard W. Jones

The Seattle Security Traders Association has elected the following new officers for 1954:

President: William T. Patten, Jr., Blyth & Co., Inc.

Vice-President: F. Kenneth Easter, Dean Witter & Co.

Secretary: David W. J. Paden, Merrill Lynch, Pierce, Fenner & Beane.

Treasurer: Howard W. Jones, National Securities Corporation.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Jan. 21, 1954 is as follows:

Team:	Points
Klein (Capt.), Fredericks, Murphy, Weseman, Huff	52½
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten	46
Krisam (Capt.), Pollack, Cohen, Smith, Strauss	45
Bean (Capt.), Bass, Valentine, Eiger, Bradley	44½
Leone (Capt.), Nieman, Gannon, Tisch, Greenberg	44
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Ghegan	41
Donadio (Capt.), Craig, Gronick, Bies, Demaye	38
Meyer (Capt.), M. Meyer, Frankel, Wechsler, King	37
Hunter (Capt.), Brown, Reid, Farrell, Barker	36
Growney (Capt.), Boggs, Siegel, Voccolli, Lienhardt	32½
Burian (Capt.), Gavin, Clemence, Montanye, Whiting	31½
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel	29

200 Point Club

John Demaye	212
Hank Serlen	203
Hoy Meyer	200

5 Point Club

"Duke" Hunter

Stroud Group Offers Ritter Finance Debs.

Stroud & Co., Inc., and associates are offering $1,000,000 Ritter Finance Co., Inc. 12-year 5½% subordinated sinking fund debentures with class B common stock purchase warrants attached. Due Jan. 1, 1966, the debentures are priced at 100% and accrued interest. The warrants entitle each holder of a $1,000 debenture to purchase 100 shares of class B common stock at $150 up to and including Dec. 31, 1959 and at $175 per 100 shares thereafter up to and including Dec. 31, 1965.

Net proceeds from the sale of the debentures will be added to the company's general funds.

Ritter Finance Co., Inc. and subsidiary companies are engaged in the business of making small loans to individuals under the Small Loans laws of Pennsylvania and New Jersey, in which states they maintain offices.

COMING EVENTS

In Investment Field

Jan. 29, 1954 (Baltimore, Md.)
Baltimore Security Traders Association Annual Mid-Winter Dinner at the Lord Baltimore Hotel.

Jan. 29, 1954 (Philadelphia, Pa.)
Bond Club of Philadelphia annual meeting at the Warwick Hotel.

Feb. 11, 1954 (Boston, Mass.)
Boston Securities Traders Association 30th annual winter dinner at the Sheraton Plaza Hotel.

Feb. 11, 1954 (Chicago, Ill.)
Bond Club of Chicago 43rd annual meeting at the Mid-Day Club.

Feb. 15-17, 1954 (Washington, D. C.)
Board of Governors of Association of Stock Exchange Firms meeting.

Feb. 26, 1954 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual midwinter dinner at the Ben Franklin Hotel.

Apr. 29-30, 1954 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual outing.

May 7, 1954 (New York City)
Security Traders Association of New York annual dinner at the Waldorf-Astoria.

May 12-14, 1954 (Boston, Mass.)
Board of Governors of Association of Stock Exchange Firms meeting.

May 16-20, 1954 (Chicago, Ill.)
National Federation of Financial Analysts Societies Convention at the Palmer House.

June 9-12, 1954 (Canada)
Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

Sept. 22-26, 1954 (Atlantic City)
National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis, Minn.)
Board of Governors of Association of Stock Exchange Firms meeting.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)
Investment Bankers Association Convention at Hollywood Beach Hotel.

Hits and Missiles

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

An investor's eye view of the air program as set forth in the recent budget message; beaming its sights toward certain companies seemingly in a position to maintain high financial altitude.

With the budget message running toward 40,000 words few have examined it closely; but fortunately, the meat of it has been quite effectively supplied by press commentators. From their competent compressions of the somewhat arid statistical projections, certain facts are here distilled. First, our national security, involving some 68% of the budget total, has a heavy upward bias—aircraft that is! The rising accent in our military thinking is now not on foot soldiers, but on fission, and aerial delivery of, and defense against, same. Two words stand out in our strategy—retaliation and repulsion. Retaliation — that means returning atom bomb fire to any enemy beginning it, in literally, moments after his first A or H bomb may come our way. For this, we need, and as taxpayers are staking ourselves to, the finest intercontinental bombers yet developed by us Earth People (they supply the "hits" in today's title). And to repulse possible bellicose bombing by belligerent Bolsheviks, we are stressing two major items—interceptors and missiles (end of title reference). This new slant, and implementation, to our defense, is both a powerful deterrent to any trigger-happy enemy, and a considerable assurance to our populace that we are not to be sitting ducks on the defense or lacking the capacity to throw nuclear leather if incited to counter attack.

Ira U. Cobleigh

To be specific, the 1954/55 budget calls for $8.3 billions (almost 20% of military outlay) for aircraft. It envisions some 10,000 of jets to be delivered in the next three years; a lot of interceptors and aerial automatons; plus an increased allocation to helicopters.

Further, recognition of the magnitude of aviation within our security strategy is found in the recent approval of a West Point of the Air to cost $150 million; and projected upping of total air force personnel to 970,000. All of this adds up to continued high volume production among major aircrafters, and sets an entirely different sales curve for this industry than has been forecast for many other lines in 1954. Statistical savants have talked of a 5% to 10% general dip in gross product but this lowered altitude definitely does not apply to the enterprises we propose to sketch today. About 90% of all American aircraft product is headed for the military and unless Russia displays a global meekness presently unthinkable, we'll continue to stress stratosphere in our strategy for some time to come.

Thus, the investor today approaches the aeronautic manufacturing trade with considerable assurance about solidity of sales demand. His main inquiry, therefore, is into which companies best produce the most needed types, which have the stable models to be turned out (without heavy redesign and tooling costs), and which can do the best job of converting gross sales into dividend-prone net income.

No complete answers to these queries will be provided here, but some notes will be offered to indicate, possibly, some direction to the inquiry and some relevant data about fabricators of power on the wing.

Let's start by saying 1954 should be a good year with sales total in the neighborhood of the $9 billion in 1953, but probably somewhat fewer than the 12,000 war planes turned out last year (more bigger and heavier models). Noteworthy at the outset, also, is the stepped up demand for interceptors. Much new engineering has been done on this type. The Douglas F4D Skyray is a Navy entry, while the Consolidated F102 with its advanced delta design is quite certain to be important in the program. **Lockheed** and **North American** have units capable of adaptation to interceptors.

For rather complete coverage of the whole field, some analysts have favored **United Aircraft** with its output of planes, 'copters, props and engines. Its 1953 per share net should work out around $7.50 with a $3 indicated dividend. Stock sells around 48 and has paid uninterrupted dividends for 18 years.

Another standard quality entry is **Douglas** which has just matched its regular quarterly $1 dividend with a $1.50 extra. It is racking up earnings at the rate of about $15 a year. Many have favored this one for its extra sound financial position, its generous dividend policy, and its important representation in both military and commercial craft. It's been pretty peppy in recent markets, and enthusiastic hops above the 90 level have set in motion rumors of a split-up, among board room handicappers.

North American Aviation, a little lower in market price (around 23) is popular. It earned somewhere around $3.25 a share in 1953 after giving up $2 in EPT. It has a reputation for good management, and its F100 model appears in line for an important place in Air Force procurement.

(Glenn) Martin has not displayed as consistent an earning record as some of the others but its B61 Matador is quite a sensational guided missile—jet propelled, and operating with lethal electronic accuracy toward a target (ground), which it is capable of annihilating by virtue of an atomic warhead. There are some who feel that this new item may propel Martin common (listed N.Y.S.E. and now selling around 18) back into the dividend paying column.

Boeing Airplane appears in a pretty favored position. 1953 was its best earning year, and 1954 looks quite promising. The Boeing B-47 is the No. 1 Retaliator (might be a good official name for it), a six jet bomber in steady production, and the official plutonium packer and deliverer to would-be aggressors, anywhere in the world. While the B-47 has the present major assignment as atom bomb carrier, the B-52 may in due course succeed it. This model is an eight jet job, capable of deploying the 150 ton frame through space probably around 600 M.P.H. Actual production is expected on this for 1954.

Boeing should keep pretty busy for the next few years. Its backlog today must be around $1.7 billion, the share book value around $49, 1953 earnings around $11, with 1954 projections being made as high as $14. Financial condition is excellent—no long term debt, and net working capital right now at about $34 a share. The stock has been rather clamored for in recent N.Y.S.E. sessions, and at around $51 (about 4 times earnings) gives hope of perhaps a higher 1954 dividend than the $3.50 last year. BA fits into the defense program. Who knows, it might fit into your own stock list.

Bell Aircraft is an energetic company which has been moving ahead impressively in the past four years, bringing its net sales from $12 million in 1949 to well past $130 million last year.

Bell ranks as a leading manufacturer of helicopters and, of its present $500 million backlog of orders, 40% is in the helicopter department. The increased breadth of use of these altitudinous "clothes reels," both for military and civilian assignments, augurs well for Bell's future. For the services there's the HTLS for the Marines, YH12 for Air Force, H13 for Army, XHSL, an anti-sub-job; and there's the 47D-1 general purpose model.

Bell, in addition, is an important contractor for development and production in guided missiles and rockets—militronic gadgets calculated to draw beads on any invading craft between here and Mars, and to reduce same to metallic dust. Bell also supplies engine nacelles to Consolidated Vultee and Boeing.

On the financial side, Bell has definitely upgraded, paying its best dividend ($2) in 1953—this after a 2 for 1 stock split in February 1952. The present indicated yield on Bell, about 8% at 24½, plus the unique position of this producer in our aviation industry, suggest elements of attractiveness in BLL.

Today's piece has obviously been swift and sketchy—I sort of hedge-hopped over the field, and probably missed some deserving entries. The main idea, however, was to stress aircrafts as a worthy group of equities and to suggest their desirability on grounds of (1) Yield (from 6 to over 8% currently); (2) Sustained demand; and (3) The thought that either because of the demise of EPT, or a somewhat more liberal attitude toward aircraft profitability, net incomes might expand. You may feel that the recent flurry in the aircraft list has somewhat discounted these factors. In any event, our vast aerial capacity to hit, and to throw missiles, alluded to here, is our best assurance for a world at peace.

Toppers Organization Elects New Officers

At a meeting on Jan. 20 the following were elected as committee heads for 1954 of the Toppers organization, membership of which consists of municipal bond men in the New York area:

Chairman: Paul L. Sipp, Jr., First of Michigan Corporation.

Secretary: William C. Bertram, Harriman Ripley & Co., Inc.

Treasurer: William R. Torgersen, Chas. E. Weigold & Co., Inc.

Following is a list of the 1954 Toppers committee:

William C. Bertram, Harriman Ripley & Co.; Donald Boyle, Drexel & Co.; Henry Harrington, Equitable Securities Corp.; Eugene E. Kelly, Goodbody & Co.; William Kondratuk, Reynolds & Co.; Joseph Meyers, R. L. Day & Co.; Frank Noonan, Bear, Stearns & Co.; Charles O'Keefe, Smith, Barney & Co.; Paul L. Sipp, Jr., First of Michigan Corp.; Fred Sloan, Coffin & Burr, Inc.; William Stilz, F. P. Lang & Co.; and William R. Torgersen, Charles E. Weigold & Co., Inc.

Bache Adds to Staff

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — John T. Burton has been added to the staff of Bache & Co., 1000 Baltimore Avenue. Mr. Burton was formerly in the commodity department of the local office of Merrill Lynch, Pierce, Fenner & Beane.

From Washington Ahead of the News

By CARLISLE BARGERON

A fellow has grounds for wondering these days if when our countless editorial writers around the country sit down to their typewriters they have really thought through on the subject they have in mind. Take, for example, the recent steady chant that President Eisenhower must "assert" himself. This chant seemed to become so widespread that you get the impression the editorial writers didn't care particularly on what side of a question he should "assert" himself just so long as he followed their advice.

Carlisle Bargeron

Well, the President did assert himself on the long debated St. Lawrence "seaway" legislation which the Senate recently passed. And apparently such assertion of himself is to cost the country at least $600,700,000 without regard to the cost of the St. Lawrence project itself. Several editors have remarked upon the excellent White House spadework in connection with the Senate passage of this bill. They have expressed admiration, in fact. There was nothing amateurish about it at all; it was as effective as if the President, new in the field of politics, had become a master. One of the first things the Administration did was to turn up the approval by the Interior Department of a $597,700,000 start on a Colorado River reclamation and irrigation project. It is my understanding the completed project will cost about $3 billion. But the New York "Times" reports that of the 10 Senators from the five states to be benefited by this project only two voted against the St. Lawrence bill. However, the two Senators from Arizona have always favored the "seaway," but the other eight have always been against it, and at least two of them told inquirers frankly the reason they were switching was because of the Colorado project.

Also, on the eve of the voting, Senator Wiley's Foreign Relations Committee promptly approved a report of its sub-committee, which had been hastily called together, recommending an appropriation of $3,000,000 for a survey of the electric power potentialities of Passamaquoddy Bay. This is the old harnessing of the tides proposition which even Roosevelt the Great gave up after an expenditure of several hundred million dollars. The recommendation for the new $3,000,000 survey switched the two Maine Senators from opposition to support of the "seaway" project. One of them, Mrs. Margaret Chase Smith, had been saying very frankly for a long time that she was interested in such a deal.

Now, I hope no one misunderstands me and thinks for a moment that I am shocked or even critical about such goings-on. I am just wondering if our editorial writers realize just what constitutes a President's asserting himself. Oh, he could scream at the Senators, argue with them, or on a more important issue, perhaps go to the country and seek to build up a popular heat. But Mr. Eisenhower isn't good at screaming, arguing and he doesn't have a "Cross of Gold" oratorical appeal that is likely to stir people.

And even with Presidents possessing these qualities they are more likely to rely on the more practical and sure fire methods I have outlined above, by way of asserting themselves. Senators are frequently dickering for patronage or projects for their districts and one of their best means of forcing the President to see the worth of their enterprise is to oppose him on something he wants.

The editorial writers should keep in mind that under our form of government the President can't call out the Army and the Navy to assert himself with the legislative branch. His limitations on assertion are very severely circumscribed. It is this writer's guess that if the St. Lawrence legislation finally passes the House through Presidential assertion we will find the government embarked upon a spending program that would make the New Dealers' mouths water. I have always thought, in fact, that when the estimates of costs for these highly controversial projects are submitted they should include the cost of getting them through Congress. Very seldom is the cost confined to the particular project.

Getting back to the St. Lawrence vote the case of Senator Dirksen, of Illinois, should give you a laugh. He has been long opposed to the project and at the same time he has long felt that the Eisenhower Administration was ignoring him, he having made a very strong speech for Taft at the Chicago convention. The day before the St. Lawrence voting, he got up and made quite a speech, the first 95% of which was an eloquent argument against the project. The last 5% portrayed him as being worried about the national defense angle. An old timer sitting in the gallery, observed:

"He's saying to the President: Come to me, come to me."

The President had him up for breakfast. Frankly, I hope they've gotten together.

Foreign Economic Policy Commission Says "Dollar Problem" Can Be Solved

Commission, headed by Clarence B. Randall, concludes that conditions in which multilateral trade and payments may be made worldwide, and the dollar deficit removed, are by return to relatively free markets, rather than through trade and payments restrictions.

In a report to the President and the Congress by the Commission on Foreign Economic Policy, which was constituted by Congress on Aug. 7, 1953, under the Chairmanship of Clarence B. Randall, President of the Inland Steel Co., Chicago, Ill., the postwar dollar problem, as it relates to our national economy and to worldwide multilateral trade, was given prominence.

Clarence B. Randall

The text of the report relating to this topic follows:

During the period 1946 through 1953, the United States transferred to the rest of the world through gifts and loans $33 billion of goods and services, exclusive of military items. This total was equal to more than one-fourth of all American exports. The fact that after so large a program of assistance, carried out over so long a period, the rest of the world still finds it necessary to maintain drastic restrictions on trade and payment, directed particularly against this country, indicates strikingly the gravity of the world's dollar problem.

The average world dollar deficit of $4 billion a year covers up large and significant fluctuations as well as a declining trend. In 1947, before the Marshall Plan began, the deficit reached a peak of $11 billion, which was reduced by almost one-half in the first two years of the Marshall Plan. The first impact of the Korean War was greatly to reduce the deficit, to somewhat more than $1 billion in 1950, owing largely to our heavy buying of raw materials and other goods and services from abroad. But in 1951 the pendulum swung the other way, as the European countries felt the impact of the previous great rise of raw material prices as compared with the pre-Korean level, while the raw materials exporting countries, once the buying rush had subsided, felt the effects of the shrinkage in the volume and value of their exports. In the past two years there has again been a marked improvement. For the first time since the war our foreign trade, exclusive of military exports, has come into balance; and foreign gold and dollar reserves have increased at a rate that is currently running at well over $2 billion per year.

Of major importance for this report is the interpretation of this current improvement. There is a disposition in some quarters to conclude that the world's dollar problem has at length been solved. This conclusion gains plausibility from the fact that, with some important exceptions, the Western European countries have been making substantial economic progress. Their industrial production is now much above prewar; foreign trade, both within Western Europe and with the outside world, is also much above prewar; the internal financial situation in most of the countries has much improved and inflation has been checked; direct internal controls have been removed or relaxed and, again with some exceptions, general monetary and fiscal controls have been more effectively applied. Finally, through the Organization for European Economic Cooperation, significant headway has been made toward liberalizing trade and widening the area of multilateral trade and payment, both within Western Europe and with its overseas trading areas.

This is an impressive record, and this Commission feels confidence in its conclusion that genuine progress has been made toward establishing the conditions in which multilateral trade and payment may be made worldwide, and the dollar deficit removed, not primarily through trade and payment restrictions but in a relatively free market. But it is the Commission's view that much yet remains to be accomplished before a dependable and durable solution of the dollar problem can be achieved.

In interpreting the current improvement, account must be taken of a number of facts. It has been accompanied by a favorable change for Western Europe in the "terms of trade"—a decline of import prices relative to export prices—due largely to the decline of raw materials prices from the high level created by the outbreak of the Korean War. Europe's terms of trade have worsened since before World War II owing, basically, to the large growth of world industrial output since prewar and to the relatively small growth of production of raw materials and food, due in part to the urge of the primary producing countries to industrialize and diversify their economies. Looking to the future, there will be a major problem of developing the raw materials needed by the continuing industrial expansion; and though in the end this may prove one of the main ways of achieving a solution of the problem of world trade imbalance, it suggests also that for a long time to come the terms of trade may continue to be one of the chief problems. Here, clearly, is an area of international policy which should command our most serious attention.

Other uncertainties arise from the fact that, owing to the direct restriction abroad of dollar imports, the potential demand for dollar goods and services, in a free market and with convertible currencies, could substantially exceed the present restricted demand. There is the further fact that the recent high level of American imports, relative to earlier years, has been closely linked with the high level of our gross national product. Experience has shown that our imports are very sensitive to our level of national income, and that any contraction here has a multiplied effect in reducing foreign exports to this country.

There is, furthermore, an element of illusion in the present apparent balanced position of our trade (apart from military exports), in that large "extraordinary" dollar expenditures are still being made by the United States in other countries. As of the end of 1953 these were running at an annual rate of about $3 billion. These extraordinary expenditures consist of disbursements by our military and civilian establishments abroad, off-shore procurement, and stockpiling. If economic aid is also included, the total of extraordinary expenditures, as of the end of 1953, was running at about the rate of $5 billion per year. Against this total should be credited the current increase of foreign gold and dollar reserves which is running at a rate of over $2 billion per year. There is thus a concealed dollar gap of some $2 billion to $3 billion annually, which would be increased if there were a change in the economic situation, such as a recession here or a deterioration in Western Europe's terms of trade. On the other hand, it should be recognized that major parts of our "extraordinary" expenditures abroad are connected with our defense effort, and that the Western European countries' own defense programs affect adversely their trade position, by increasing their essential imports and by absorbing resources that would otherwise be available for expanding their exports.

Surveying the postwar experience as a whole, the Commission believes, as already stated, that much remains to be done to achieve a dependable international balance. It believes that the problem must be attacked on many fronts and that too much dependence should not be placed on any one line of attack. There is no single or simple solution. The final solution will probably depend even more upon the efforts of other countries than upon our own. It will involve their continuing internal efforts to achieve sound and strong economies and their external efforts to correct their international imbalance.

This Report, however, is primarily concerned with the steps that this country can take towards solving the world's dollar problem, steps that will be consistent with our own political, economic and security interests. Or, to employ the language of the statute under which this Commission was organized, this Report must deal with the enlargement of international trade in a manner consistent with a sound domestic economy.

T. S. Evans Honored On Retirement

Thomas S. Evans was honored by a dinner given by 35 of his friends and associates from 25 different dealer firms and banks upon his retirement from active business in New York. Mr. Evans had been associated with Lee Higginson Corporation for 37 years, for the past 26 as Manager of the trading department. He is a member of the Security Traders Association of New York, the Corporate Bond Traders Association, and the Bond Club of New York.

At the dinner he was presented with a Hamilton watch inscribed "To Thomas S. Evans from his Wall Street friends," January 1954."

Present Business Situation Can Resist Contraction!

By GEORGE B. ROBERTS*
Vice-President, National City Bank of New York

After reviewing factors which have led to predictions of business downturn, Mr. Roberts finds that thus far there is no proof that there has been anything much more than an inventory adjustment and return to more normal competitive conditions. Claims there is not likely to be a chain reaction producing a depression, because of: (1) continued high rate of government spending; (2) offsets in reduction in Federal outlays from increased state and municipal spending; (3) tax reductions; and (4) a still high level of housing and industrial plant outlays. Concludes, situation does not bear usual hallmarks of a "boom and bust."

After the torrent of forecasts to which we have all been exposed during the past two months, I wonder at your patience in being willing to listen to any more talk on the subject. This is particularly true when you and I both know that nobody's crystal ball is clear enough to accurately tell us what is going to happen.


George B. Roberts

All that we know for certain is that we are going through some kind of readjustment. This is shown in the slackened pace of industrial and wholesale buying, in the declining trend of industrial production, and in the moderate rise of unemployment.

This let-up in the rate at which we have been traveling certainly comes as no surprise. We have all suspected the pace was too swift to be maintained indefinitely, and that sooner or later a breathing spell and a settling down to something less hectic was inevitable. The only questions have been when the reaction would occur, how far it might go, and how long it might last.

Factors in Predictions of a Downturn

The factors which have precipitated this long-predicted downturn are clear enough to everyone.

First, the huge rise in government spending brought about by national rearmament has reached a peak and begun to be cut back.

Second, the expansion of productive capacity and outpouring of goods have eliminated scarcities, filled the business pipelines, and build up inventories to top-heavy proportions. Manufacturers, wholesalers, and retailers are no longer concerned about their ability to get goods; and, scanning the somewhat cloudy skies, they are naturally tending to shorten commitments and bring inventories into closer line with current requirements.

Third, the ultimate consumer himself has been pretty well supplied with particular things, so that his wants, if not wholly satisfied, are at least less pressing. With personal incomes no longer increasing, and with new consumer borrowing via instalment debt also slackened, sales at retail have tended to lag. In the case of heavy-weight clothing, sales during the fall season were particularly handicapped by the warm weather.

Thus far there is no proof that anything much more than an inventory adjustment and return to more normal competitive conditions is in prospect. Distribution generally at the retail level, though slowed down somewhat, has continued high. Overall retail sales in December apparently fell somewhat short of the record high total of December 1952, but post-Christmas trade, as measured by department store sales over the country, has run ahead of a year ago.

In the construction industries, whose activity has given such strong underpinning to the post-war boom, contracts awarded during the fourth quarter of 1953 were 14% ahead of the same period the year before. According to the latest government surveys, business plans for plant and equipment expenditures in the first quarter of this year are 5% ahead of similar outlays in 1953.

All this is important to you gentlemen of the wool industry. For as long as retail distribution continues high and the economy is well supported by construction and investment in capital goods, no very deep decline in total employment, purchasing power, and general business is likely. And that, of course, is a first consideration in trying to appraise the outlook in your own industry.

Will There Be a Chain Reaction?

The big question for 1954, however, is whether falling orders, starting with even modest inventory adjustments and modest declines in various categories of demand, will set off a chain reaction that will land us in a real depression.

You know how the reasoning goes. Once the process of inventory-cutting begins in one area, it tends to go round the circle. Other industries find they too must reduce purchases and trim production. Meantime, unemployment cuts buying power and reduces demands for automobiles, appliances, clothing and consumer goods generally.

At some point even the construction and capital goods industries get involved. Many concerns, seeing their sales falling off and profits shrinking, begin to wonder about their plans for building new plants and installing new machinery. People who are thrown out of work think twice about buying that new home, and maybe there is even some doubling up of families. Thus, according to the theory, the whole economy becomes involved in an ever-widening descending spiral until business generally is flat on its back.

Now, it is perfectly true that a downward reaction, once started, does tend to snowball in this fashion. But the plain fact is that no such chain of action and reaction is inevitable. We know from experience that all recessions do not develop into depressions. The latest recession of 1948-49 did not, and there have been many other examples.

In my judgment, there are elements of support in the present situation that will resist contraction.

First, take government spending. We know from the President's State of the Union message that the Administration anticipates a reduction of about $5 billion in Federal outlays for the fiscal year starting next July 1. This, however, will still leave total expenditures next year around $67 billion. This is a huge sum, the spending of which will be a continuing strong prop under the economy. And remember this—that government expenditures, unlike private expenditures, do not tend to spiral downward in a recession. They are more likely to increase, due to greater outlays for unemployment insurance, farm price supports, and the like.

Moreover, while Federal spending is being reduced, state and municipal spending is increasing. At $26 billion last year these outlays came to about a third of our enormously swollen Federal budget. We all know the crying need for new highways, schools, hospitals, water systems, and sewer systems brought about by our rising population and development of new residential areas. With a huge backlog of unsatisfied requirements, and an easing in the materials supply, capital expenditures of our states and municipalities should be maintained at current high levels at least, if not actually increased.

Let's not forget, either, that while government expenditures are being cut back, so also are taxes. The drop of 10% in personal income taxes on January 1st will enable individuals to keep more of their own money to spend. Expiration at the same time of the excess profits tax removes a roadblock to corporate expansion and modernization. It will soften the impact of any decline in pretax earnings upon net, and allow more flexibility for lowering selling prices where such action may be necessary to move goods.

You have been seeing in the press the proposals for further tax reductions, agreed upon jointly by the Treasury and the House Ways and Means Committee. These proposals are part of a long-range program of tax reform designed to reduce inequities and encourage incentives. They include such important stimulants to business and investment as liberalized depreciation allowances and reduction of double taxation on dividends. In addition, there are the reductions scheduled under present law for April 1st in the regular corporate income tax and in certain excise taxes. While the administration has opposed allowing these reductions to become effective, some compromise may be worked out, particularly if business continues to slip.

Construction and Housing Outlook

Turning from the public to the private sector, one must, I believe, concede the possibility of some decline in business plant and equipment outlays, particularly in industries related to defense. However, unless the slump in general business goes a lot further than most businessmen now expect, any decline here will be moderate.

Despite the large sums poured into plant and equipment since the war, these facilities have been worked hard; most industrialists actually welcome some easing of pressure as giving a chance for needed repairs and improvements. To a large extent these capital outlays represent long-range planning based on population growth, decentralization, modernization, cost reduction, and technical change. Such planning is not likely to be altered in a hurry. The vast amount of money spent on research is constantly creating new products and new methods; business concerns must keep up-to-date to remain in the swim.

Likewise, in the field of housing, there is good reason to look for another active year, even though it does not measure up fully to 1953. True, the acute general shortage of housing caused by the war and the preceding depression no longer exists. But the population is still growing rapidly, and there is a great shifting of population from cities to suburbs and from one part of the country to another. Perhaps most important of all, the general prosperity and wider distribution of incomes have created a desire for better homes. People are no longer satisfied to live in the older obsolete houses, with their inconveniences and unsuitability to modern conditions. In short, replacement demand for homes has been stepped up and may well continue at a higher level than in the past.

Adding to these factors the definite easing of the mortgage market this year, and the ambitious program which the government has afoot to stimulate home-building and modernization, I find it difficult indeed to get very bearish over the housing construction outlook.

Other Supports Against a Down-Swing

All this constitutes, I submit, an impressive array of actual and potential supports against a spiraling down-swing in our economy. And there are, I believe, still other factors of strength in the situation.

One of the things we can count on is that there will be no monetary deflation enforced on the economy. While the monetary authorities have been trying to maintain honest money by putting the brakes on inflationary credit expansion, they are very much concerned in avoiding touching off positive deflation. That they are standing alert and apprehensive on this score was indicated by the measures taken last summer to ease the money market through Federal Reserve purchases of government securities and the lowering of bank reserve requirements.

Continued on page 55

*An address by Mr. Roberts before the Collateral Group of the National Association of Wool Manufacturers, New York City, Jan. 20, 1954.

The Investment Policy For the Future

By MILAN D. POPOVIC

Vice-President and Economist, Blue Ridge Mutual Fund, Inc.

Fund executive maintains country's changed economic and political structure calls for new investment policy embodying the following basic points: (1) no fear of major business depression; (2) common stocks, because of their high yield, participation in country's growth, and changing money values, constitute logical investment medium and warrant full use of investible funds, and (3) selection of individual issues should be cautious and realistic.

Apart from the season, it is thought that this is a singularly appropriate time for some contemplation of the state in which we are at present and where we are going. There is no doubt that our political and economic structure has been changing for some time now and indications are that a new pattern has already been laid but is not as yet clearly outlined. Being in that indefinite state, it can best be discussed as an abstraction because presentation of statistics and facts would only confuse cause with effect and the main thought would be lost. So, even though this is an attempt to develop an up to date investment policy for the future, it is necessary to cease thinking as a statistician and economist and try to be a philosopher and historian, at least for this purpose.

Milan D. Popovic

In the past half century, there was ample evidence to indicate that the world was working itself into an impasse and was at some kind of crossroads. New paths had to be blazed and cleared. So far we have been explicitly conscious of only two alternative roads. One was going back to the old principles of capitalism, with their dependency upon free play of "natural" economic forces which obviously did not work as well as they should. The other was that of socialism, which is a bit vague and entirely theoretical. Attempts at its application in its various forms, such as Communism, Nazism, Fascism and Fabianism, did not as yet resolve into anything practical and acceptable and in keeping with the scientific and cultural accomplishment and social conscience of our time. In fact, all of such efforts at the solution so far have proved to be regressions rather than progress.

Our New Economic Structure

It is thought that unknowingly, by trial and error, we have been developing a new way which could lead us forward. This country is in the process of long range building of a new economic structure which may grow into a better economic and political life of permanent nature, not to be confused with temporary boom conditions. This opinion is based on the conviction that there are more than just two alternative roads—those of capitalism and socialism. No unprejudiced student can claim that either Adam Smith's or Marx's interpretations are applicable to this life, which is built on such greatly changed social and physical background. In particular, the improved communications, both physical and of ideas, is a force which did not exist in their time. Just as written word and then printing were cornerstones of progress, the application of electronics to communications started another sharp climb upward by mass utilization of accumulated human knowledge. This force is giving all of us an increasingly clearer conception of our place in the scheme of things and our inter-relationship and dependence upon each other. This understanding, when broadly scattered, should help eliminate the economic movements which were caused by inert acceptance of forces which were not understood and which nobody undertook to direct. The change is already upon us, at least in this country, and is a product of doers and not of thinkers. It still has to be theoretically formulated and explained in simple words, and even has to be given a name. On this intangible but hopeful note, we can base our confidence that there is good reason to be optimistic on the future of our economy. Shedding the philosopher's cap and returning to the practical, this means that one should be in the middle, between pessimists who expect a replay of 1932-1933 depression and the optimists who think we could have a permanent boom of the type prevalent in 1929 and in more recent years.

The Pessimistic Side

We agree with the pessimists that we are at least for now headed toward a period of slower expansion and not as great business activity as was prevailing recently with a general return to more difficult profit making. In fact, we believe that a number of companies may give us a shock by the steepness of the declines in their profits in 1954. This particularly applies to the groups where the favorable war atmosphere of operations continued unabated up to now (steel, rubber, motors, merchandising, chemicals, etc.).

On the constructive side, we disagree with those who make a parallel of 1929 with the present. Our economy is vastly different in its inner strength and more so in its greater resiliency and conscious adaptability to new conditions. In the same way that we have learned to control many natural and physical phenomena, we are beginning to direct a number of social and economic elements. This is evidenced in such visible economic factors as agricultural price controls, social security and pensions, unemployment insurance and social welfare, labor laws and, most importantly, the great dynamic urge to progress to new conquests through science.

Underlying Strength

Translating these intangibles into an investment policy for the near future leads to the opinion that there is an underlying strength to the economy of this day and, while the individual parts of it may be subject to unpleasant adjustments, it does not necessarily follow that the entire economic system will approach, and pass, the breaking point the way it did in the preceding major depressions.

One special investment element in the overall picture is the fact that both political parties, in fact all of us, have accepted the need and responsibility of maintaining the prosperity by any means. In practice, this will resolve itself into more and broader government actions which will involve utilization of our economic potential by state directive. In turn, because of human frailty and political expediency, this will lead to declining money values as indirect capital taxation to raise funds needed for the added responsibilities of the state.

The economy under such conditions should not be called prosperous because it is a contradiction of terms; it implies that there will be other times when it will not be prosperous. It will just be on a level of relatively high activity with much smaller fluctuations. The well-being of individuals will continue to be equalized and standardized. Paradoxically, through taxation, we shall be approaching the communistic idea of getting from each up to his ability and giving to all according to their need. With this background, the proposed investment policy must include the following basic points:

(1) There should be no fear of a major business depression other than that which may be caused by unpredictable and uncontrollable catastrophes, which is outside the sphere of this review.

(2) Common stocks are the logical medium of investment, both because they give high return and also because they provide the means for participation in growth and development of the country, apart from the changing money values which will be destructive to fixed value securities. Practically speaking, this suggests a full placement of investment funds in common stocks only.

(3) The selection of individual stocks should be cautious and realistic. It should be based on the appreciation that the basic play of the forces will be both constructive and destructive, depending on the status of the individual company or industry in the overall scheme of things.

To Form McCleary Co., New NYSE Corporation

ST. PETERSBURG, Fla. — McCleary & Co., Inc. will be formed as of Feb. 4, with offices at 556 Central Avenue, as a new member corporation of the New York Stock Exchange. Officers will be George M. McCleary, President; Arthur Knapp, Jr., member of the Exchange, Vice-President; and Ronald A. Beaton, Secretary and Treasurer. Mr. McCleary is a partner in the Florida Securities Co.; he is a member of the Philadelphia-Baltimore Stock Exchange.

Joseph McManus Co. Expands Wire System

Joseph McManus & Co., 39 Broadway, New York City, members of the New York Stock Exchange and other exchanges, announce the expansion of their Private Wire System to J. W. Tindall & Co. of Atlanta, Ga.; Zilka, Smither & Co. Inc. of Portland, Ore.; and Blanchett, Hinton & Jones, Inc. of Seattle, Washington. With these additions, the firm's Correspondent Wire System extends to 25 cities from coast to coast.

With Paul Brown & Co.

ST. LOUIS, Mo.—Elmer J. Gieselman has become associated with Paul Brown & Co., Paul Brown Building, members of the New York and Midwest Stock Exchanges. Mr. Gieselman for many years was with Friedman, Brokaw & Co. and its predecessor firms.

Liberalization of "5% Philosophy" Needed

Harry R. Amott, President of New York Security Dealers Association, also urges that Federal Reserve Regulation T be amended to permit use of Over-the-Counter securities as collateral for loans.

In his address at the 28th Annual Dinner of the New York Security Dealers Association in New York City on Jan. 28, Harry R. Amott of Amott, Baker & Co., Inc., President of the Association, called for a liberalization of the "5% Philosophy" of the National Association of Securities Dealers, along with an amendment to Regulation T of the Federal Reserve Board, which would permit the inclusion of Over-the-Counter securities as collateral for loans. Speaking on these topics, Mr. Amott stated:

Harry R. Amott

"We think that the NASD might give consideration to liberalization of the '5% Philosophy,' particularly insofar as the small investor is concerned. As you know, the cost of servicing and maintaining small accounts is proportionately more costly, and it should be made possible to attract and hold such accounts.

"Another matter which we believe requires consideration is Regulation T of the Federal Reserve Board, which now prohibits the acceptance of securities not traded on exchanges, for use as collateral. If ever there was justification for such broad prohibition against all Over-the-Counter issues, that time has long since passed. I am sure we all agree that Over-the-Counter issues comparable to issues traded on exchanges should not be discriminated against. In considering this matter in recent meetings of our Board of Governors, and in a general meeting of our members, the thought has been expressed that a category of Over-the-Counter securities with particular qualifications could be set up, and the matter discussed with the Federal Reserve Board with a view to amending Regulation T to grant collateral privilege to such securities."

Urges Dollar Area to Reduce Trade Barriers

James Muir, President, of Royal Bank of Canada tells shareholders time is ripe to reduce tariffs, customs formalities, and other red tape now hampering international trade.

Addressing the 58th Annual meeting of the shareholders of the Royal Bank of Canada in Montreal recently, James Muir, the bank's President stated that convertibility of currency, a prerequisite to healthy international trade, appears to be closer today than at any time since the imposition of wartime exchange control Throughout most of the world. In the course of his remarks Mr. Muir said: "Since the end of the war the world's hopes for convertibility have waxed and waned with Britain's exchange reserves. Today with reserves at $2,520 millions and steadily improving, Britain can afford once more to consider freeing the pound sterling with the great advantage that now she will move from a position of strength rather than weakness.

James Muir

"I think we can say that Britain and here partners in the sterling area, as well as most of her NATO partners in western Europe, have not only accepted convertibility as desirable in principle, but have in fact subjected themselves to the discipline in their domestic monetary and fiscal policy which is one of the prerequisites to convertibility.

"I believe the time has come for the dollar area to show evidence of good faith by reducing trade barriers both in the form of tariff duties and in the form of customs formalities and red tape. The dollar area must in addition show willingness to undertake certain responsibilities in the international monetary field.

"There is the problem of the sterling balances with their constant threat to the stability of the pound; and there is, in addition, the problem of sterling area exchange reserves which, though improving, are still considered insufficient by informed opinion abroad to lend wisdom to an immediate dash for freedom. On both counts, it is the dollar countries that can overcome the doubtless well-founded, fears of our friends abroad.

"Once these fears are removed, and given a continuation of the present rate of progress in dollar-short countries, the two great economic blocs in the western world will be able to move as an economic as well as a political body towards the twin goals of welfare and freedom."

Phila. Secs. Assn. Elects Officers

PHILADELPHIA, Pa. — Raymond E. Groff of Brown Brothers, Harriman & Co., was elected President of the Philadelphia Securities Association at the annual meeting and election of the association. Mr. Groff succeeds William A. Lacock of E. W. Clark & Co. whose term expired.

Other officers elected were: Vice-President, James T. Gies of Smith, Barney & Co.; Treasurer, Lewis P. Jacoby, Jr. of Thayer, Baker & Co. and Secretary, Robt. E. Daffron, Jr. of Harrison & Co.

The following were elected to the Board of Governors to serve for three year terms ending in 1956: Spencer D. Wright, 3rd, of Wright, Wood & Co.; Francis M. Brooke, Jr. of Brooke & Co.; Mr. Jacoby and Mr. Gies.

The annual dinner of the association was held following the election of new officers and members of the Board of Governors.

Wellington Hunter Withdraws from Firm

Wellington Hunter has retired from Hunter Securities Corp., 52 Broadway, New York City, effective Jan. 22, 1954.

Fusz Schmelzle Adds

(Special to THE FINANCIAL CHRONICLE)

BELLEVILLE, Ill. — Oliver J. Ruhmann has become associated with Fusz-Schmelzle & Co., of St. Louis.

We Can Increase Consumer Buying by 10%!

By ARNO H. JOHNSON*

Vice-President and Director of Research,
J. Walter Thompson Company, New York

Advertising agency economist, contending that by increasing consumer demand we can have a prosperous 1954-55, with improved government finances under lowered tax rates and expanded productive facilities, looks for a higher standard of living by one-third within five years. Holds what is really wanted is not "stabilization" or "stagnation," but a healthy dynamic growth in both production and consumption. Lists ten factors pointing to increased sales opportunities, and concludes "intensified selling is needed in 1954-55 to energize the magic of consumption."

In building for continued and increasing prosperity in 1954-55 the nation faces a major task right now — that of selling a higher standard of living to our American population so that we can offset decreased government purchases with increased consumer purchases. We do not need to have any downswing in our economy just because defense needs are less or because inflation pressures have been abated — these are favorable rather than unfavorable factors and can lead to new levels of prosperity.

Arno Johnson

Actually the key to a strong defense and a balanced budget lies in a higher standard of living for the American people.

We have experienced the miracle of production—now, through the magic of consumption, we have the opportunity to keep our economy dynamic and growing. The magic of consumption offers an opportunity for utilizing our increased productive ability in the positive form of a better standard of living.

Instead of the widely predicted depression my analysis of our present productive ability and consumer purchasing power points to just the opposite—to an immediate opportunity for a 10% increase in sales of consumer goods and services and thus in our standard of living in 1954-55. And this 10% increase in consumer demand for goods and services could have a truly magical effect on government finances and lowered tax rates; on our ability to provide a strong defense; and on industrial markets through stimulating needs for further improvement in productive facilities.

A 10% Increase in Our Standard of Living in 1954-55 Could Balance the Federal Budget and Lower Tax Rates

Federal revenues are dependent almost entirely on the current levels of personal income, corporate profits and certain consumer purchases. An increase of only 10% in total consumer purchases of goods and services in 1954-55 from the level of $230 billion in 1953 would so broaden the various bases for taxes that we could:

Balance the Federal budget—even provide a surplus from the $75 billion such a level of business would yield at the lower tax rates.

Eliminate excess profits taxes.

Reduce corporate profit tax rate from 52% to 47%.

Reduce personal tax rates by 10%; and:

Provide $50 billion for continued strong defense.

Only two methods of balancing the Federal budget have received much attention—(1) cut expenses or (2) increase taxes through higher rates or new forms of tax such as sales taxes. There are dangers inherent in both. Extreme cuts could endanger national security or essential services. Raising of tax rates, or adding new taxes, could defeat its purpose through lowering consumption and production.

In contrast, encouragement of a higher standard of living with its increased markets for goods and services, increased profits for corporations, and increased employment and income for individuals would be the quickest and pleasantest way of balancing the Federal budget and providing for a continued strong defense.

Peace Can Bring Increased Prosperity Instead of Depression—A Third Higher Standard of Living Possible in Five Years

This analysis will show that the opportunity exists—both in productive ability and in purchasing power—for an expanding economy with substantially greater sales over the next few years. Beyond the immediate opportunity for a 10% increase in 1954-55, and we have the broader real opportunity for **a third higher standard of living within five years**—by 1958.

In terms of constant 1953 dollars our per capita productivity increased from $1,530 in 1940 to $2,340 in 1944 (Real Gross National Product divided by population). A similar per capita productivity for our 171 million population in 1958 could mean a Gross National Product of $400 billion in 1958 in terms of 1953 dollars, and could provide the purchasing power for a standard of living approximately one-third higher than at present.

The level of productivity necessary to provide for a continued strong defense and an increase of **one-third in the standard of living** by 1958 should be considered a minimum opportunity because it would require only reaching the production level actually reached per capita in 1944 when our tools of production were far less adequate. Only 1% per year increase in our per capita productivity over the levels reached in the first quarter of 1953 will mean a production of over $400 billion annually by 1958.

Can We Consume One-Third More?

Purchasing power is created by production. Our increased productivity has made possible an advance in our real standard of living—even after adjustment for inflation and in spite of many crippling restrictions on production and incentive. Further utilization of our productive ability per capita can continue to add to our real purchasing power. If we utilize our productive ability only up to the point proved possible in 1944 we can have the purchasing power to give our people a standard of living one-third higher than at present.

We have talked too much of "stabilizing" our economy—of returning to "normal." What we really want is not stabilization or stagnation, not regression to previous normals of heavy unemployment, share the wealth panacea or mature economy—but instead a healthy dynamic growth in both production and consumption in line with our rapidly growing ability. That means a higher standard of living based on our proven higher productive capability.

Recession is not impossible but neither is it inevitable.

Hesitancy of business management in carrying out plans for aggressive marketing, unnecessary restriction of credit, exaggerated fears of effects of cuts in government expenditures, could start a downward cycle—largely psychological. We could talk ourselves into depression. Our standard of living is so far above the bare subsistance level that a large proportion of current purchases could be deferred for some time at the will of the consumer without real hardship. This could happen in spite of record high purchasing power and many strong pressures for an expanding instead of contracting standard of living.

That is why distribution, with its aggressive selling and advertising, must play a critically important part in our economy during the transition from expanding government and defense expenditures to declining government purchases. Our standard of living must expand to offset these drops. But this analysis will show that the opportunity exists over the next few years, for expansion far beyond the immediate amount necessary to offset defense drops.

Factors Pointing to Increased Sales Opportunities in 1954-55

Here are some of the facts that point to increased sales opportunities:

(1) Present trends in productivity point to a 1954-1955 level of $387 billion of total production or an increase of 4% over the level reached in the middle of 1953. This would mean about $276 billion of disposable personal income after taxes—enough to increase consumption by over 10% above the 1953 (average) level of $230 billion up to $256 billion and still allow a high level of over $20 billion in personal savings (over five times the level of personal savings of $3.7 billion in prewar 1940 and well over the 1953 rate of between $17 billion to $18 billion).

Production and Consumption—In 1953 1st Quarter Prices (Billions)

	Prewar 1940	War Peak 1944	Postwar Low 1947	Defense 1952	Expanding Economy Opportunity 1958
Gross national product	$202.1	$323.7	$278.3	$348.0	$400.0
Defense	4.8	142.3	14.4	48.9	40.0
Other government expense	25.7	15.5	21.2	28.6	30.0
Private investment	31.0	6.4	49.1	52.4	40.0
Personal consumption	140.6	159.5	193.6	218.1	290.0
Durable goods	16.0	9.6	25.5	26.6	34.0
Nondurable goods	80.9	97.1	107.9	118.8	163.0
Services	43.7	52.8	60.2	72.7	93.0
Population (millions)	132.1	138.4	144.1	157.0	171.0
G.N.P. per capita	$1,530	$2,340	$1.930	$2.215	$2,340

(2) Post Korea employment, in October, 1953, reached an all time hgh for this season of year at 62,242,000 and the non-agricultural employment at 55,082,000 was about 19 million higher than the prewar average of 36,140,000 in 1939. Unemployment, in October, 1953, was at a postwar low of 1,162,000.

(3) The possible maximum cut of $10 billion in defense expenditures would be small in relation to the drastic cuts we experienced after the end of World War II. Between the war peak of 1944 and the postwar low of 1947 we survived a cut in defense expenditures the equal of $128 billion in present prices—or over 12 times the maximum of $10 billion cut feared now. Yet our total **real** standard of living advanced by 38% over our prewar highest level of 1940 to 1947.

It is not generally recognized that now it would take less than a 5% increase in consumer purchases over the 1953 level of $230 billion to offset a cut of $10 billion in government purchases. Yet the level of consumer purchasing power now is such that consumers' purchases could be expanded much more than this 5% through aggressive marketing and advertising.

(4) At the 3rd quarter of 1953, real purchasing power, after adjustment for present prices and taxes, was at the highest level in history and was 75% greater than the best prewar year 1940. In 1954-55 real purchasing power could be 94% above 1940 and more than 10% above 1953. Real purchasing power continued to increase right to the end of 1953 when the index of wages and salaries was 5% above the same period of 1952 while consumer prices were less than 1% higher.

(5) Early in 1953 there were 5½ times as many families (consumer spending units) with incomes over $3,000 as there were in 1941. The 31.9 million with incomes over $3,000 represented 59% of the 54 million total whereas in 1941 the 5.7 million represented only 14½% of the 39.3 million total.

(6) Discretionary spending power which reached a level of $138 billion in 1953 was over five times as great as the $26.5 billion in 1940. That is the surplus spending power over and above what would be required to supply a per capita standard of living for basic necessities of food, clothing, and shelter equivalent to the 1940 actual standard of living after taking into account present prices. This could reach $160 billion in 1954-55 or 6 times the prewar level.

(7) Consumer credit — installment sales, charge accounts, etc. —could expand by 75% without becoming overextended in relation to discretionary income. The present level of consumer credit worries some—it is over 3 times the $8 billion level of 1940. But consumer discretionary spending power has increased more than five-fold. The ratio of consumer credit to discretionary income now is only 18% compared with 31% in 1940.

(8) Total consumer debt is low in relation to disposable income and accumulated savings. At $89 billion, at the start of 1953, total consumer debt (including farm and home mortgages) represented only 35% of the $250 billion of accumulated savings and 36% of disposable income after taxes. In 1940 the ratio was 49% of savings and 44% of disposable income. In 1929 debt stood at the doubly high ratio of 72% of savings. This total debt now could expand one-third before reaching 1940 standards.

Total consumer debt is in strong hands. Those with incomes over $5,000 owe 57% of this debt but hold also 56% of the liquid assets and represent 53% of current income. The middle income group of $2,000-$3,000 with 41% of current income owe 36% of the consumer debt and hold 31% of liquid assets. The low income group, under $2,000, owe only 7% of the consumer debt but have 13% of liquid assets.

(9) Liquid assets of consumers at $193 billion, not including corporate stocks or bonds, now total four times the level of 1940 with double the real purchasing power. The increase alone of $143 billion in consumer liquid assets from $50 billion in 1900 to $193 billion in 1953 was 1⅓ times the present value of all corporate stocks listed on the New York Stock Exchange—yet, in spite of this vast purchasing power, only 7% own any corporate stock.

(10) Liquid assets of business also is four times the 1940 level with double the purchasing power. The net working capital of corporations, after taking into account the increase in liabilities or short-term debt, is over three times the level of 1940.

Long-term corporate debt, which represented a ratio of 45% of our national production in 1929 and 43% in 1940, now is at a low level of under 20% of a year's national production—long-term corporate debt could double before reaching 1940 relationships to production.

Corporate earnings, before taxes, in the third quarter of 1953, were at an all time high rate of $46 billion—an increase of 24% over the same period of 1952 — with net, after taxes, at $21 billion or four times the 1939 level of $5 billion. This net, after taxes, was 50% higher than the $14 billion in 1946, the year of the stock market dip, and was 19% higher than the $17½ billion in the third quarter of 1952.

Also, net corporate earnings are double the prewar ratio to net long-term corporate debt (in 1940 the ratio was 15%; in 1953 the ratio was 30%).

All of these factors indicate that a relatively small increase in consumer purchases would more than offset any threatened cut in government expenditures, and that the level of purchasing power is high enough to warrant more aggressive marketing.

And consumers continue to respond to selling effort. In spite of the gloomy predictions of what might happen after the Korean truce the Christmas trade of December, 1953, reached an all time peak with volume exceeding the "boom" peak of December, 1952.

Hidden Pressures for Expansion In Standard of Living and Production Over Next Few Years

There are seven powerful, but largely hidden, internal pressures for expansion building up in our economy. In some the pressure is nearing explosive strength. All will have a strong influence during the next few years, both culturally and spiritually as well as in the material sense.

These hidden pressures are:

(1) Change in the discretionary spending power of the mass of the population — now over five times as great as in 1940.

Discretionary spending power (the amount of income over and above what would be needed to supply the 1940 per capita level of such necessities as food, clothing, and shelter) is over five times as great as in 1940 and represents 55% of disposable income after taxes compared with 35% prewar. As the population learns how to use this new purchasing power the standard of living can expand into increased markets for our production.

(2) Change in the age makeup of our population—with over 65% more children under five than in 1940—and the continued rapid growth of population.

This huge increase in the number of children soon will cause public outcry against inadequate

Continued on page 51

*An address by Mr. Johnson before the Standard & Poor's Corporation Advertising in Action Conference, New York City, Jan. 14, 1954.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market prepared to test the previous high of a year ago but the most that was proved in this week's trading was that it is up to the same group of blue chips to carry on the assault. Issues of the caliber of General Electric, Douglas Aircraft and International Business Machines, which carried the industrial average to the bull market peak last year, are doing all the work again.

* * *

Rails Lagging

Rail issues, which started the new year bravely, were lagging again and at the best levels reached this week had considerably farther to go to "confirm" a new bull swing. It would have to be a new swing since technically a bear market has been underway since confirming signals were given last September. And if the market does become officially a bull one again, something new in the way of brevity for bear markets will have been posted.

* * *

N.Y. Central, after trading routinely for the first two weeks of the year, took over the No. 1 spot in activity last week and continued high on the list since. The interest stems from new attempts of railroadman Robert R. Young to take over the road. In fact the suspicion is widely held that some of the activity is even caused by his group, particularly when bundles of as much as 8,000 shares in one transaction changed hands this week. Hundred-thousand-dollar trades aren't the work of amateurs.

* * *

Southern Railroad's extra dividend declaration early this week, which the stock hailed moderately, and a good change of heart in the lately laggard Erie when directors decided to put the issue on a quarterly payment base at next month's meeting, helped put a slightly better facade on the rail group. But there's lots of work for them to do to catch up with the industrials. One individual star has been Northern Pacific which moves ahead briskly at times to stir up the debate anew over whether this is a reflection of budding railroad popularity or the same old petroleum prospects.

* * *

Good Reception for the Oils

Oils, generally, are still getting a good investment reception, which is a bit surprising in view of the large stocks in storage. A couple of the favorites, including Texas Co., Socony-Vacuum, Ohio Oil and Pan American Petroleum, have made the week's new highs listing which is the first time in many months that oils in force have been prominent on that roster.

* * *

Aircrafts continue to show above-average action, the extra payment and good earnings of Douglas Aircraft contributing in no small measure to the group's power. Douglas itself in a few sessions ran its gain past a dozen points which landed the issue pricewise back in the same range recorded before a 2-for-1 split in 1951. It not only sets something of a speed record for such action but also illustrates the end of the era when aircrafts, above all others, were the prime war babies to be avoided in postwar years.

* * *

Replacing them to a degree as the war babies of the cold war period might be the auto makers. They are in disfavor partly because of their dwindling share of defense work and largely because of fears over the rugged selling problems they face this year. Demand for General Motors following announcement of its billion dollar expansion plan had pretty well run its course, and the enthusiastic reception given the various new car showings underway currently did little for the group. Studebaker's dividend trim, despite the fact that it had been considered inevitable a couple of payments back, nevertheless chilled sentiment. Chrysler was persistently heavy in the face of all manner of rumors over dividend action due early next month, plus announcements of layoffs here and there among the firm's plants. It is of incidental note that a market usually generous on mergers did virtually nothing on the Hudson-Nash confirmation.

* * *

Oddly, the disinterest in the motors failed to act as any sort of brake on the tire makers, largely because they have pushed diversification forcefully since the war. Goodrich, in particular, was able to move ahead easily. It raced ahead wildly, including 5 points one day, as soon as it breached its previous high price of 1953-54, carrying it to a level roughly double what the same stock sold for after it was split 3-for-1 in 1951.

* * *

Meat Packers Irregular

A somewhat incongruous note was Swift & Co., joining the new highs while the other meat packing shares, far from toying with their top prices, actually are within far easier reach of their lows for a year or longer. That Swift is the only one of the "Big Four" meat packers paying a common stock dividend is not coincidental, particularly since a couple of the other packers are in arrears on their preferred stock in addition.

* * *

On a technical basis, it again was a story of the rails holding back the industrials. The senior index could plunge through the January 1953 high convincingly on any show of strength in the rails but they have something like a dozen points to go to achieve a similar level. Their best recovery so far this year is the best level only in half a year. Utilities, without fanfare, have already exceeded all the peaks back to the Fall of 1931.

* * *

The majority feeling is that the industrials can and will post a new high but that the rails will blunt the implications. It is also a rather widely held opinion that if the list falters at this stage, all of the fire will go out of the rally and it will take considerable time to build up a new advancing phase. The rail drag, consequently, is considered ominous.

* * *

The New Installment Plan

This week marked the inauguration of a radically new approach to the problem of lagging stockholder interest throughout the country when the member firms of the New York Stock Exchange began a Monthly Investment Plan program under which investors can buy individual stocks periodically on any scale from $40 quarterly to $999 monthly. The first day's business under the plan was only 658 shares valued at $21,333. But nearly 500 individual plans were established in the first two days indicating that the idea could, in time, grow to worthwhile proportions that would bring many newcomers into the securities circle. Whether it is fortuitous that the plan began at a time when the market was toying with historic highs will have to be left to the future for decision.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

McMaster Hutchinson Admits to Partnership

CHICAGO, Ill.—Gilbert E. Egbert has been admitted to partnership in McMaster Hutchinson & Co., 105 South La Salle Street, members of the Midwest Stock Exchange. Mr. Egbert has been with the firm for some time.

Progress of the Hotel Industry

By ERNEST HENDERSON*

President, Sheraton Corporation of America

Executive of prominent hotel chain points out progress and achievements of hotel industry, which, in numbers employed, now ranks seventh in the U. S. Recommends further improvement in the industry, and stresses role of hotel industry in promoting international understanding.

In the U. S. A. the hotel business ranks as the seventh in size and in numbers employed, of all industries. I believe here in Canada hotels play an even greater role relatively speaking, than in the U. S. A. Is there anything we can do to make this industry so efficient, so respected and so dynamic that we can build into the next ten years the growth, the expansion and the progress that would normally be expected in 50 years? I believe this is possible if our combined energies are concentrated on that goal.

Ernest Henderson

During wartime, miracles of production, transportation and organization were achieved. Assuredly the same miracles in peacetime are possible provided we have the will to accomplish them; however, in peacetime the objectives are prosperity, not destruction; better earnings, better values and better jobs, rather than larger enemy casualty lists!

How can we do all this? By stepping up the tempo of our peacetime activities to the accelerated pace of wartime. A declaration of hostilities should not be the sole key to industrial activity, high wages and super profits. Why not enlarge the scope of peacetime activities to a point where these benefits will accrue as part of a constructive rather than a destructive program.

Our hotel industry is a large one. Perhaps in our own way we can set the pace for other industries, gain the advantages which the next 50 years might bring in the normal course of events by concentrating the improvements, the added facilities of the next two generations into the coming decade.

There are doubtless dozens—yes, hundreds of projects or innovations that can be considered, weighed to determine that they will be profitable, that they will earn dividends as well as paying back their cost from the increased revenues—that such additions or improvements will create. What are some of these improvements? Redecorating, air-conditioning, new rooms, modern kitchens, coffee shops, television and a hundred other services that the public is eager to pay for. For an almost unlimited number of further suggestions for additional services or added opportunities for improving operations, you need only turn to the very effective trade journals of the hotel industry — publications which have contributed so much to the growth of our Sheraton Company. And how will these improvements be financed? Go to your banks and sell your bankers on the improvements and their economic justification. If necessary go to your insurance companies or other institutional lenders. Go to friends, or relatives. Form syndicates to finance projects. Many hotel owners have even financed new cocktail lounges, added facilities, parking lots, new rooms, or whatever was needed by enlisting the help of customers, suppliers, or in some instances, even employees.

In 1920, following the end of World War I, my brother and myself started in business with our state and national war bonuses amounting to less than $1,000. The motto has always been "put the money into improvements, and soon there will be both the improvements and the money back, too!" Today, Sheraton Hotels have been the best possible testimonial to the soundness of this policy, for the $1,000 of original capital launched the organization that has grown into a hotel chain valued at over $100,000,000.

That was largely in the U. S. A. during the past 30-odd years. But let me remind you that today Canada is the country of unlimited opportunity and prosperity. I hope the members of your organization will go after their share of the Canadian hotel prosperity which lies before you.

In conclusion, I would like to say that we can all be proud of the contributions our industry has made toward improving international understanding.

Fortunately our industry is doing much to prevent the seeds of discontent from flourishing. Hotel wages have advanced steadily throughout both the U. S. A. and Canada. Managements have been sufficiently effective in both countries to make possible a rise in wages at a pace which has considerably more than equalled the rise in the cost of living. Greater efficiency, better planning and new techniques have made possible this achievement without the sacrifice of profits, which in turn are the greatest incentive of all for creating new and better jobs. And while these changes have taken place—how has the public fared? I am informed that although wages have risen much faster than our respective dollars have declined in purchasing power—yet in spite of this extra load, room rates and food prices in hotels have climbed considerably less than the rise in the general price level. This is what competition contributes to the economic system. Profits and competition—two words which the Russians do not understand, are what make our economy excel. May the managements of our Hotel Industry continue to reach higher levels of efficiency and continue to offer keen and clean competition, so that this Industry can in future years continue to take pride in its leadership in providing better standards of living to its members and increased value to the public. It is with pride that we can point to our achievements of the past. May hotel managements reach for even higher goals in the coming decade, for then, indeed, they will be playing a role that will have significant repercussions on the economic welfare of Western Civilization.

*From an address by Mr. Henderson before the Ontario Hotel Association, Toronto, Can., Jan. 11, 1954.

Britain's Commonwealth Investments

By PAUL EINZIG

Dr. Einzig, in commenting on the efforts to increase British capital investment in the Commonwealth countries, cites, as difficulties, the reduced financial resources of British investors, and Britain's continued adverse balance of payments. Lists as another reason, domestic demand for capital investment has been too large to leave a sufficient surplus for large-scale investment abroad. Holds wage demands in Britain make capital goods production too costly for export.

LONDON, Eng.—One of the results that has emerged from the Sydney Conference of Commonwealth Finance Ministers is the intensification of the effort to increase British capital investment in the Commonwealth. There is an understandable desire on the part of Commonwealth countries to have easier access to the London capital market for the requirements of their development schemes. It is equally understandable that British interests should be anxious to resume the role of financing commonwealth capital investment schemes. That role has become materially reduced since the war for a number of reasons.

Dr. Paul Einzig

In the first place, the financial resources of British investors have become reduced as a result of prolonged high taxation. There has been an outcry against the inadequacy of capital even for essential domestic investment such as the renewal of plant, merchant fleet, etc., and the development of new industries.

Apart from this, Britain's balance of payments has not been such as to facilitate overseas investment of any sort. It is true, equilibrium was reached shortly before the crisis of 1951, and it became restored once more in 1953. There is, however, no substantial surplus available for lending abroad. It is true, this does not provide an unsurmountable obstacle to exporting capital to countries of the Sterling Area. To do so would not involve any loss of gold or hard currencies. But any export of long-term capital to the Sterling Area during a period when there is no corresponding export surplus means an increase of Britain's short-term indebtedness to the Sterling Area. All that happens is that the counterpart of British investment in the Sterling Area will be an increase of the sterling balances of Sterling Area countries. There would be no genuine investment, merely the exchange of a long-term loan for a short-term credit.

Moreover, since the end of the war domestic inflation in Britain has absorbed too large a proportion of the output of capital goods, so that delivery dates of many British firms have been far too long. The output has not been large enough to cover the requirements of British capital investment and leave a sufficient surplus for large-scale investment abroad.

High taxation which reduced the amount of financial resources available for investment abroad has also affected the willingness of British investors to risk their capital. Too large a proportion of the profits is taken by the Treasury to make it worth while for investors to take risks. What is worse, it has not been possible for the government to conclude agreements on double taxation with all Commonwealth countries. For instance the Government of India sows no willingness to conclude such agreement, because the elimination of double taxation would deprive it of substantial revenue. While British capital which is already in India is helpless against being victimized, new British capital is understandably reluctant in the circumstances to enter the country.

The question is whether, and to what extent, the Sydney resolution to step up British capital investment in the Commonwealth will be followed up by action resulting in the removal or mitigation of the above mentioned obstacles. As far as British taxation is concerned it would be idle to expect substantial change which would make an appreciable difference in the near future from the point of view of capital accumulation. On the other hand even a comparatively moderate tax reduction would go some way towards increasing the willingness of British investors to take risks by investing its capital in Commonwealth countries.

The prospects of a substantial improvement of Britain's balance of payments are not very encouraging, in view of German and Japanese competition. It is conceivable however, that as a result of the Sydney Conference even in the absence of granting additional preference to British goods, Commonwealth Governments will in practice encourage their imports. This can be done by the application of the principle embodied in the Buy American Act. On recent occasions substantial contracts in India and elsewhere were awarded to non-British firms owing to the lower prices they were able to quote. Possibly under the influence of the Sydney resolutions an effort may be made in future to avoid this as far as possible provided that the difference in the prices quoted is not too pronounced. Should the United States repeal the Buy American Act, Britain and the Commonwealth would have to abstain from introducing such legislation.

By far the most important factor in the situation however, is the extent to which it would be possible to reduce domestic demand for capital goods so as to increase the exportable surpluses available for early delivery to the Commonwealth countries. From this point of view possibilities are considerable. There is a strong potential demand for heavy equipment if only British industry is able to produce it at a reasonable cost. Unfortunately wages demands in the engineering industry and other industries concerned with the supply of capital goods are likely to put up the cost of production. It remains to be seen whether British heavy equipment can be offered on competitive terms after the conclusion of the various wages disputes which are at present in progress or which are pending.

The fundamental condition which determined the success or failure of the new policy of increased investment in the Commonwealth is the willingness and ability of the British Government to curtail domestic demand. From this point of view indications are not very encouraging. Austerity is deservedly unpopular and it is politically impractical. In any case if demand were to be reduced by means of higher taxation this would reduce also the amount of capital available for investment and the willingness of investors to take risks.

Notwithstanding what has been said above it is possible and even probable that a certain amount of capital will be diverted to those countries of the Commonwealth which are prepared to give British capital fair treatment. After all, in spite of dollar difficulties it has been found possible during the past year to invest some British capital in Canada. Where there is a will there is usually a way — within reason.

Doremus & Co. Elects Four Vice-Presidents

Election of four vice-presidents in the New York office of Doremus & Co., 120 Broadway, New York City, has been announced by William H. Long, Jr., Chairman of the Board of the advertising and public relations firm. The new officers are Henry L. Brown, Robert F. Carroll, Robert W. Fisher and G. Barry McMennamin.

Henry L. Brown

Robert F. Carroll

Robert W. Fisher

G. B. McMennamin

Mr. Brown joined the agency in 1939 and has been an account executive since his return from Air Force duty in 1946. Mr. Carroll, formerly with The New York "Times," the FBI and the Air Force, continues as director of the agency's New York news department. Mr. Fisher, formerly with the "Wall Street Journal," joined Doremus in 1945 as an account executive, after wartime service with the Marine Corps. Mr. McMennamin, following wartime service with the Navy, has been with Doremus since 1946 as an account executive.

NASD District No. 6 Elects New Officers

DALLAS, Tex. — Edward H. Austin of San Antonio, Texas, was elected Chairman of District No. 6 Committee of the National Association of Securities Dealers, Inc., at a recent meeting of the committee here.

A senior partner of Austin, Hart & Parvin, San Antonio investment banking firm, Mr. Austin succeeds James F. Jacques of the First Southwest Company of Dallas as Chairman.

New committeemen elected were Walter S. Sorenson of Rotan, Mosle & Cooper of Houston and Barron McCullough of Barron McCullough Investment Securities, Fort Worth.

District No. 6 includes the entire State of Texas.

Other members of the district committee include: John W. Pancoast of Dewar, Robertson & Pancoast, San Antonio; Philip R. Neuhaus, Underwood, Neuhaus & Co., Houston; Hugh D. Dunlap, Binford-Dunlap, Inc., Dallas.

Budget Message Indicates Deficit Of $2.9 Billion in Fiscal 1955

President Eisenhower, in message to Congress, explains efforts of Administration to move toward reduced taxes and lower spending as rapidly as national security and wellbeing will permit. Estimates fiscal 1955 budget expenditures at $65.6 billion, or slightly more than $5 billion under previous year. Renews request for increase in statutory limit on public debt.

President Dwight D. Eisenhower, on Jan. 21, sent to Congress his budget message for the fiscal year 1955, in which he gave an estimate of the expected Federal revenues and expenditures for this period, along with several selected budget statements.

Pres. Eisenhower

The text of the Budget Message follows:

I am transmitting herewith the Budget of the United States for the fiscal year ending June 30, 1955.

The budget message is divided into two parts. The first part is a general statement summarizing the budget and a number of its most important aspects. The second part includes pertinent details of my tax and legislative programs, and of the budget. Together the two parts comprise my budget message.

When this Administration took office on Jan. 20 of last year one of its first concerns was the budget for the 1954 fiscal year, which had been sent to the Congress on Jan. 9, 1953, by the previous Administration. With the cooperation of the Congress that budget promptly was revised and reduced. This new budget is the first prepared entirely by this Administration.

It provides adequately, in my judgment, for the national defense and the international responsibilities of the nation—responsibilities which we must undertake as a leader of the free world. On the success of this leadership depends our national security and prosperity. The budget also provides adequately for the current needs of the Government and for constructive forward steps in our domestic responsibilities and programs.

The recommended budget continues the strengthening of our military posture; our progress in the development and production of atomic weapons; the expansion of our system of continental defense; assistance in the development of the military strength of friendly nations; and programs for rapid mobilization if an emergency should arise.

Authority is recommended for new and advanced work on the peacetime uses of atomic energy in the earnest hope that present international relations can be improved and the wonders of nuclear power can be turned gradually to the development of a more abundant life for ourselves and all mankind.

The budget contains provisions for legislative recommendations for expanding the coverage and increasing the benefits of our social security system; for promoting better housing conditions and more widespread home ownership in the nation; for improving our system of education; for conserving our natural resources; for helping prevent the ravages of floods and soil erosion; for encouraging the expansion of adequate health and hospital care for our people; and for other constructive domestic purposes designed to strengthen the foundations of a stable and prosperous economy.

This budget continues the progress that has been made during the past year in reducing both requests for new appropriations and Government expenditures. The reductions in expenditures already accomplished, together with those now proposed, justify the tax reductions which took effect Jan. 1 and the further tax revisions I am recommending. These lower taxes will encourage continued high capital investment and consumer purchases. Despite the substantial loss of revenue caused by these tax reductions, we have moved closer to a balanced budget.

One of the first problems of this Administration was to bring the budget under better control. That was substantially accomplished in the revision of the original budget document for the fiscal year 1954. Now an amount approximately equal to the savings made in this new budget is being returned to the public in tax reductions and tax revisions. This amount substantially exceeds the estimated budget deficit.

In preparing this budget the Administration has directed its attention to essential activities and programs rather than to those which some might consider desirable and appropriate, at this time, for the Federal Government to undertake. It assumes fairly stable conditions, internally and externally, during the period it covers. It allows for the continuing heavy demands of the national security programs on the budget. But as we continue to reduce and eliminate the less desirable or the unnecessary Government expenditures, it will become possible to turn to other purposes which are the most desirable in terms of their benefits to all of the people.

This budget marks the beginning of a movement to shift to State and local governments and to private enterprise Federal activities which can be more appropriately and more efficiently carried on in that way. The lending activities of the Reconstruction Finance Corporation; the services provided by the Inland Waterways Corporation; certain agricultural activities; and some aspects of our health, education, and welfare programs are examples of this type of action. In those cases where Federal participation is necessary, the effort of this Administration is to develop partnerships rather than an exclusive and often paternalistic position for the Federal Government.

This budget also benefits from material savings from the decreased costs of Federal operations resulting from our constant effort to improve the management of Government activities and to find better and less expensive ways of doing the things which must be done by the Federal Government.

The total effect of the recommendations for the 1955 budget, under existing and proposed legislation, is shown with comparable figures for earlier years in the accompanying table. The table also reflects certain technical adjustments for 1955 and prior years which do not affect the budget surplus or deficit and are described in Part II of this message. Both receipts and expenditures include, insofar as can be determined, the estimated budgetary results of my recommendations for new legislation.

General Budget Policy — This Administration is dedicated to greater efficiency and economy in meeting the nation's security requirements and the necessary and valid functions of the Government.

The current estimates of the 1954 budget show that the requests for new appropriations were reduced about $12.5 billion, new obligational authority was reduced more than $11 billion, and expenditures were reduced $7 billion below the totals estimated in the 1954 budget document of the previous Administration.

Similar reductions continue in the budget recommended for the fiscal year 1955. Recommended new obligational authority is $4.4 billion less than the current estimate for the fiscal year 1954, $15.5 billion less than recommended for that year in the 1954 budget document, and $23.9 billion less than in 1953. Estimated expenditures for the fiscal year 1955 are $5.3 billion less than the current estimate for the fiscal year 1954, $12.3 billion less than recommended in the 1954 budget document, and $8.4 billion less than in 1953.

Thus, new obligational authority has been reduced $15.5 billion and estimated expenditures have been reduced $12.3 billion since this Administration took office.

These reductions justified lower taxes. Without tax reductions, a budget surplus was in sight for the fiscal year 1955.

So that most of the new savings could be passed along to the taxpayers of the nation as a whole, with beneficial effects on our entire economy, I believed it best to adopt a course leading toward the twin goals of a balanced budget and tax reductions.

The reductions in 1954 expenditures were devoted to reducing the large deficit forecast in the 1954 budget document. The anticipated savings in 1955 budget expenditures already have been reflected in the tax reductions of Jan. 1 of this year and are also reflected in the tax revisions I am recommending in this message.

Together these tax reductions will total nearly $5 billion.

We will still have a budgetary deficit of slightly less than $3 billion for the fiscal year 1955, as now estimated. But we will continue determined efforts for economy to reduce that deficit during the 1955 fiscal year.

Furthermore, despite the loss of cash revenue from the tax reductions and revisions, the total cash transactions of the Government with the public are now estimated to show a small cash surplus for the fiscal year 1955.

Budget Totals, Fiscal Year 1954 —The actual budget deficit for the fiscal year 1953 was $9.4 billion. The budget deficit for the fiscal year 1954, indicated in the 1954 budget document, was $9.9 billion. The current estimates of the budget for that year show a budgetary deficit of $3.3 billion.

Total Government cash transactions with the public include the receipts and payments of the Social Security and other trust funds which are not considered part of the budget. In 1953 the excess of cash payments to the public over receipts from the public was $5.3 billion. The 1954 budget document estimated an excess of cash payments of $6.6 billion. Present estimates indicate an excess of cash payments over receipts in 1954 of more than $200 million, a reduction of $6.4 billion in the cash deficit originally estimated.

Budget Totals, Fiscal Year 1955 —The budget for the fiscal year 1955 is estimated to show a deficit of $2.9 billion.

Fiscal year:	Deficits (in billions)
1952	$4.0
1953	9.4
1954:	
As est., Jan. 9, 1953	9.9
Revised estimate	3.3
1955 estimate	2.9

The presently estimated deficit for the 1955 fiscal year is in sharp contrast to a deficit forecast made by the Bureau of the Budget prior to transmission to the Congress of the 1954 budget document. This projection of the programs in existence and contemplated in the 1954 budget document, under the tax laws as they then existed, indicated a deficit for the 1955 fiscal year about five times greater than the deficit now estimated.

Budget receipts and expenditures for the fiscal year 1955 are estimated as follows:

Under—	Rcpts. (in billions)	Expend. (in billions)
Existing legislation	$61.5	$64.5
Proposed legislation	1.2	1.1
Total	$62.7	$65.6

Budget receipts allow for an estimated loss of revenue, totaling nearly $5 billion, from the tax reduction which took effect Jan. 1 and from the cost of recommended tax revisions, insofar as these will apply to the 1955 fiscal year. On a full-year basis the revenue loss will approach $6 billion.

The total cash transactions of the government with the public show an estimated excess of receipts from the public over payments to the public of more than $100 million in the fiscal year 1955.

This record of progress toward a balanced budget is the result of a determined and continuous effort to bring the financial affairs of the Government under control.

New Obligational Authority— My recommendations for new appropriations and other new obligational authority for the fiscal year 1955 amount to $56.3 billion, a further reduction from the amounts enacted during the last several years.

Fiscal year:	New Oblig. Authority (in billions)
1952	$91.4
1953	80.2
1954:	
As est., Jan. 9, 1953	71.8
Revised estimate	60.7
1955, as recommended	56.3

New obligational authority includes new appropriations, additions to borrowing authority, and certain adjustments to the authority of agencies to incur obligations. The above figures are on a comparable basis, reflecting certain adjustments in composition and definition made in this budget, partly to conform to congressional practices. Details are shown in the second part of this message.

The accumulated unexpended balances of prior appropriations as of June 30, 1953, of $78.7 billion, will be reduced to $66.5 billion by June 30, 1954, and to $54.1 billion by June 30, 1955, as now projected.

The lower levels of new obligational authority and of accumulated unexpended balances for 1954 and 1955 lead to less expenditures in these and in future years. In the revision of the 1954 budget and in the 1955 budget the trend clearly is toward a balanced budget.

Budget Expenditures — Total budget expenditures in the fiscal year 1955 are estimated at $65.6 billion.

Fiscal year:	Expenditures (in billions)
1952	$65.4
1953	74.0
1954:	
As est., Jan. 9, 1953	77.9
Revised estimate	70.9
1955 estimate	65.6

Proposed expenditure programs for 1955 fall in three broad categories: national security, major programs relatively uncontrollable under existing and proposed legislation, and all other Government programs.

Expenditures for major national security programs—for the military functions of the Department of Defense, the mutual military program, atomic energy, and stockpiling of strategic materials —dominate the budget and are estimated at $44.9 billion in the fiscal year 1955. This compares with a presently estimated $48.7 billion in 1954 and $50.3 billion in 1953. These amounts are about the same percentage of total budget expenditures in each of the three years.

Closely related to these major security programs are other activities for national security included elsewhere in the budget. Our foreign economic assistance and information programs are particularly essential to deter aggression and strengthen the world forces for peace.

Proposed reductions in major national security expenditures in 1955 represent the largest single element of reduction from the current year's level of expenditures. I emphasize, however, that these savings result from revisions in programs, from shifts in emphasis, from better balanced procurement, and from improved management and operations. Our security is being strengthened— not weakened. Further, while expenditures for some programs in this category will be reduced, others will be increased.

Of the four major national security programs, proposed 1955 expenditures for the Atomic Energy Commission and for the mutual military program will be at the highest levels since the initiation of the two programs.

Within the Department of Defense the fiscal year 1955 expenditures on behalf of our airpower will be the largest since World War II. Allocations of expenditures for our continental defense program will be greater than in any previous year.

Expenditures for stockpiling— the fourth of the principal programs in the major national security category—will be less than in the fiscal year 1954, as a result of approaching fulfillment of stockpile requirements in certain categories and of lower world market prices for materials still required for the stockpile.

Budget expenditures for certain government activities are, by law, relatively nondiscretionary, and depend largely on factors outside the annual budgetary process. While relatively few in number these represent a large amount of dollars and the budget each year has to provide funds for them. For example, once the laws are placed on the statute books, grants to States for many purposes depend upon the extent to which

BUDGET TOTALS

(Fiscal Years. In Billions)

	1950 actual	1951 actual	1952 actual	1953 actual	*1954 estimated Budget document	*1954 estimated Current	1955 estimated
New authority to incur obligations	$49.3	$82.9	$91.4	$80.2	$71.8	$60.7	$56.3
Receipts:							
Under existing legislation	36.5	47.5	61.4	64.6	68.0	67.4	61.5
Under proposed legislation	---	---	---	---	---	0.2	1.2
Total receipts	36.5	47.5	61.4	64.6	63.0	67.6	62.7
Expenditures:							
Under existing legislation	39.6	44.0	65.4	74.0	75.6	70.9	64.5
Under proposed legislation	---	---	---	---	2.3	†	1.1
Total expenditures	39.6	44.0	65.4	74.0	77.9	70.9	65.6
Surplus (+) or deficit (—)	—3.1	+3.5	—4.0	—9.4	—9.9	—3.3	—2.9
Cumulative unspent balances of appropriations at end of year	‡14.1	‡50.3	68.6	78.7	67.4	66.5	54.1

*References to 1954 are to the 1954 budget document of Jan. 9, 1953, as presented to the Congress, and to currently revised budget estimates. †Less than $50 million. ‡Estimated. Detailed accounting data are not available.

States take advantage of Federal grant-in-aid programs; veterans' pensions depend upon the number of qualified veteran applicants; farm price supports depend upon the size of crops and the demand for supported commodities; and interest payments on the national debt depend upon the amount of the debt and the rate of interest.

In the fiscal year 1955 it is estimated that budget expenditures of $14.1 billion will be required to support these programs. This amount is about the same as presently estimated for 1954 and almost $800 million less than similar expenditures in the fiscal year 1953.

Budget expenditures for other Government activities, which contain more elements controllable through the budget process, are reduced an estimated $2.2 billion below the fiscal year 1953 and $1.5 billion below the present estimate for 1954. This is a reduction, over the two fiscal years, of about 25% in the cost of these numerous day-to-day operations of the Government. These activities cover, in number, a large majority of the items in the budget, although the amount involved is about one-tenth of total budget expenditures.

Some substantial reductions in this category will result from a lessened postal deficit and management and program savings in many other departments. On the other hand, estimated expenditures for the Tennessee Valley Authority, urban development and redevelopment, college housing loans, the National Science Foundation, fish and wildlife resources, the school lunch program, and several other programs of domestic importance will be the largest in our history.

Budget Receipts and Taxes—Budget receipts under existing and proposed legislation are estimated to be $62.7 billion in the fiscal year 1955. This is $4.9 billion less than presently estimated 1954 receipts; $1.9 billion less than 1953, and $1.3 billion more than 1952.

Total Government expenditures and taxes are now so high that we must choose our path carefully between inadequate revenues on the one hand and repressive taxation on the other. I am anxious to have taxes reduced as fast as that can be done without building up inflationary deficits. It is the determined purpose of this Administration to make further reductions in taxes as rapidly as justified by prospective revenues and reductions in expenditures. The objective will be to return to the people, to spend for themselves and in their own way, the largest possible share of the money that the Government has been spending for them.

The start toward tax reductions is justified only because of success in reducing expenditures and improving the budgetary outlook. That outlook permits me to make some proposals for tax reform and reductions for millions of taxpayers at this time which represent much-needed improvements in our tax system. These proposals are directed toward removing the most serious tax hardships and tax complications, and reducing the tax barriers to continued economic growth. The proposals will encourage the initiative and investment which stimulate production and productivity and create bigger payrolls and more and better jobs. The details of these proposals are many and represent much cooperative work by the House Ways and Means Committee and its staff and the Treasury Department. In part II of my budget message, I list and describe 25 important tax revisions.

I do not believe that the budgetary situation will permit further reductions of taxes at this time. Hence, I repeat my recommendations of last May that the reductions in the general corporate income tax be deferred for one year; that the excise tax rates, scheduled to be reduced on April 1, including those on liquor, tobacco, automobiles, and gasoline, be continued at present rates; and that any adjustments in the other excise taxes be such as to maintain the total yield which we are now receiving from this source.

Debt Management—A sound dollar is the cornerstone of financing policy under this Administration. The problem of debt management is not only one of offering securities for cash or refunding which the market will take, but of appraising the economic situation and adapting financing plans to it, so that as far as possible debt management does not contribute to either inflation or deflation.

This means close cooperation with the Federal Reserve System, whose duty it is under the law to administer the money supply, with these same objectives in view.

Nearly three-quarters of the debt we inherited a year ago matures within less than five years or is redeemable at the holder's option. Too large a proportion is in the hands of banks. This is the result of financing over a period of years too largely by short-term issues at artificially low interest rates maintained by Federal Reserve support. These policies contributed to cheapening the dollar.

A start has been made in lengthening the maturities of the debt, as well as obtaining a wider distribution among individuals and other nonbank investors. In our 1953 debt operations, maturities were lengthened in five out of nine times.

There is every reason to look forward with confidence to this country's ability to put its financial house in better order without serious disruption of credits or markets. The stream of the nation's savings is huge, larger than ever before; the financial system is sound. With a reasonable assurance of sound money of stable buying power there is no better investment than securities of the United States Government.

The national debt is now close to the legal limit of $275 billion. In view of the wide swings in receipts and expenditures and their unpredictability, it is not prudent to operate the huge business of the United States Government in such a strait jacket as the present debt limit.

These difficulties will become worse as we move forward in the year. We shall be close to the debt limit and our cash balances will be dangerously low on several occasions in the first half of the calendar year.

In the second half of the calendar year, when tax receipts are seasonally low, there will be no way of operating within the present debt limit.

For these reasons, I renew my request to the Congress to raise the debt limit.

In summary, I emphasize that this budget carries out the policy of this Administration to move toward reduced taxes and reduced Government spending as rapidly as our national security and well-being will permit.

By using necessity—rather than mere desirability—as the test for our expenditures, we will reduce the share of the national income which is spent by the Government. We are convinced that more progress and sounder progress will be made over the years as the largest possible share of our national income is left with individual citizens to make their own countless decisions as to what they will spend, what they will buy, and what they will save and invest. Government must play a vital role in maintaining economic growth and stability. But I believe that our development, since the early days of the Republic, has been based on the fact that we left a great share of our national income to be used by a provident people with a will to venture. Their actions have stimulated the American genius for creative initiative and thus multiplied our productivity.

This budget proposes that such progressive economic growth will be fostered by continuing emphasis on efficiency and economy in Government, reduced Government expenditures, reduced taxes, and a reduced deficit. The reduced request for new obligational authority promises further that, barring unforeseen circumstances, the budgets I shall recommend in the future will be directed toward the same objectives.

DWIGHT D. EISENHOWER.

Jan. 21, 1954.

E. K. Bassett Heads NASD District 13

Earl K. Bassett

Earl K. Bassett, W. E. Hutton & Co., has recently been elected Chairman of District No. 13 Committee of the National Association of Securities Dealers, Inc.

McKelvy & Co. Will Admit E. Paul Tunnell to Firm

PITTSBURGH, Pa.—McKelvy & Company, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges, on Feb. 4 will admit E. Paul Tunnell to limited partnership in the firm. Mr. Tunnell for many years was Resident Manager for H. M. Byllesby & Co., Inc.

Securities Salesman's Corner

By JOHN DUTTON

A Refresher Course

G. L. Ludcke has sent us a bulletin that was prepared by Putnam Fund Distributors, Inc., 50 State St., Boston 9, Mass., entitled "The Art of Selling Securities." Although there is probably quite a bit contained therein that is well known to all good salesmen, a review of some of these fundamentals is always helpful.

Point 1: **Change Places With Your Customer.** Putting it in their words. "Some of your customers are learned, some less so. Some keen. Some have plodding minds. But they are people like the rest of us. If places were reversed and you sat where your prospect was sitting, what would you want to know first, about the investment you offered." I would add, **what reason would you have for even considering an investment.** Where was your own interest. For what reason are you going to be motivated into listening—capital gain, long-term accumulation, income, building an estate, setting up a trust fund for wife, children, grandchildren? But Mr. Ludcke I agree with you. **Change places with your customer.** Find out what he wants in an investment and what he would want to know about that investment.

Point 2: **State the Facts.** "A case clearly stated is more than half sold." Possibly so, but regardless, none of us want to listen to a rambler. "Safe guides are to be found in the three C's," the article states them as **Chronology, Candor, and Clarity.** "Chronology," because it's the natural way to tell any story, "Candor" (because you build confidence) when you tell both sides of the story, and "Clarity" admits no substitute.

Point 3: **Go Straight to the Point.** There is a main point, all others are like planets revolving around the sun. Pick out the main point of the buyers' interest, as well as the highlight of your security, and don't be carried off into diversions. There isn't time for it. (I once knew a salesman who talked himself out of orders because he had the nervous habit of not knowing when the prospect wanted to buy and he kept on rambling. Most of us talk too much.)

Point 4: **Welcome Objections.** The interested prospect asks questions. Your interview becomes a conference instead of a battle between two people. "If you have to make a concession do it, don't evade or postpone." The article reminds you, "**Nothing is more irritating to a prospect than to hear the familiar,** 'I'm coming to that.'"

Point 5: **Read Sparingly.** The eye is the window of the mind. Look your customer in the eye. Never put a sheet of paper **between you and the prospect.** (If you want to use a diagram to illustrate a point, make it simple, and sit beside your man while you do it.)

Point 6: **Avoid Personalities.** Never criticize unfairly or harshly. Denunciation of competitors usually arouses symathy for them.

Point 7: **Know Your Story From Cover to Cover.** Confidence is implanted in another person by **your attitude.** Your confidence in your product, and what you are suggesting to your prospect, is something that comes from an inner conviction and belief. When you have sold yourself others will have confidence in you and what you are suggesting. Not before.

Point 8: **Stop.** When you have covered the essential points ask for the order.

Thank you, G. L. Ludcke, President of Putnam Fund Distributors, Inc., for this refresher course and for writing the column for me this week. J. D.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The Hanover Bank, New York received on Jan. 21 the approval of the Banking Department of the State of New York to increase its common capital stock from $24,000,000 to $27,000,000. The stockholders on Jan. 20 approved the increase and now makes possible the 12½% stock dividend declared by its Board, payable Feb. 15 to stockholders of record Jan. 22. The proposed increase was given in the November 19, issue of the "Chronicle" on page 1957.

* * *

Chemical Bank & Trust Company, New York has elected Ernest C. Strobeck to the advisory board of its 100 Park Avenue at 41st Street Office, it was announced on Jan. 25 by N. Baxter Jackson, Chairman.

Mr. Jackson also announced on Jan. 22 that Douglas M. Black, President, Doubleday & Company, Inc., and Harold W. Comfort, Executive Vice-President of The Borden Company, have been elected to advisory board of 46th Street at Madison Avenue Office of the bank.

* * *

Mr. August Ihlefeld, President of **Savings Banks Trust Company, New York**, has announced the appointment of Mr. Donald J. Carlson as an Assistant Treasurer. Mr. Carlson has been connected with Savings Banks Trust Company since 1936 except for a period of three years, when he was in the armed forces.

At the Annual Meeting of Stockholders held on Jan. 20, 1954, Earl Harkness, President of The Greenwich Savings Bank, was elected a Director.

* * *

Election of C. McKim Norton as a Trustee of **The Bank for Savings in the City of New York** was announced by DeCoursey Fales, President.

* * *

Gerald R. Dorman, formerly Executive Vice-President, has been elected President of **Bushwick, Savings Bank, Brooklyn, New York.** He succeeds Dr. Frank D. Fackenthal, President of the bank since 1952, who is resigning this office to devote himself to public service activities.

At the same time, Daniel Russo, Comptroller, has been elected Vice-President and Comptroller, Charles E. Bosomworth, Treasurer, has been elected Secretary and Treasurer, and Richard Wagner, Manager of the Life Insurance Department, has been elected Assistant Secretary and Manager of the Life Insurance Department.

Mr. Dorman who has been Executive Vice-President of Bushwich Savings Bank since September, 1952, was formerly Deputy Superintendent of Banks of the State of New York, in charge of savings banks.

Louis C. Rub, Vice-President, who has been with the bank for more than 50 years, has retired.

* * *

The appointment of Walter L. Tindle, formerly Assistant Secretary, to Vice-President of the **Long Island Trust Company, Garden City, New York,** was announced on Jan. 22 by Edward A. Nash, President of the bank.

* * *

Bank of Babylon, Babylon, N. Y., was given approval on Jan. 19 by the Banking Department of the State of New York to increase its common capital stock from $225,000, of 4,500 shares with a par value of $50 per share, to $325,000, consisting of 6,500 shares of the same par value.

* * *

Stockholders of **The County Trust Company, White Plains, N. Y.,** voted a 5% stock dividend at the annual meeting on Jan. 20, according to an announcement by Andrew Wilson, Chairman of the Board of Directors.

The dividend will be payable to stockholders of record as of Jan. 20, on the basies of one new share for each 20 held. Stockholders entitled to fractional shares will receive scrip certificates and arrangements will be announced whereby the scrip may be sold for cash or used to acquire additional stock.

Mr. Wilson said the number of outstanding shares will be increased from 200,125 to 210,250 with a corresponding increase in par value from $3,202,000 to $3,364,000.

* * *

Poughkeepsie Trust Company, Poughkeepsie, N. Y., was given approval by the Banking Department of the State of New York on Jan. 15, to increase its capital stock from $250,000, consisting of 50,000 shares of common stock of the par value of $5 per share to $300,000, consisting of 60,000 shares of common stock of the same par value.

* * *

The Banking Department of the State of New York on Jan. 18 gave approval to Certificate of Change of Name from **Madison County Trust and Deposit Co., Oneida, N. Y. to Madison County Trust Co., Oneida, N. Y.** and to increase of capital stock from $100,000, consisting of 8,000 shares of common stock of the par value of $12.50 per share, to $150,000, consisting of 12,000 shares of common stock of the same par value.

* * *

Approval was given on Jan. 21 to **The People's Bank of Hamburgh, Hamburg, N. Y.** by the Banking Department of the State of New York to change its name to **The Peoples Bank of Hamburg, Hamburg, N. Y.**

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The common capital stock of **The Canal National Bank of Portland, Maine,** was increase from $1,000,000 to 1,125,000 by a stock dividend, effective Jan. 15.

* * *

Marking its 100th birthday the **Bridgeport-City Trust Company, Bridegport, Conn.,** has issued an anniversary brochure in which it shares its centennial honors with four other Bridgeport non-banking corporations with lifespans of a century or more.

Bound in a special cover, the brochure opens with statistical data on the industrial city of Bridgeport as it was in 1854 and an 1857 view of the city from old Mill Hill. The booklet closes with a contrasting summary of the city of today, illustrated with an aerial view showing the downtown section and the industrial area east of the Pequonnock River.

The centennial booklet tells the story not only of the changes and development through which the original "City bank" has emerged as the Bridgeport-City Trust Company, but also presents a kaleidoscopic view of the City of Bridgeport, as it has progressed from the mid-19th to mid-20th Century. The Bridgeport of 1854 and the Bridgeport of 1954 are presented side by side—the gap between in years dramatized in terse narrative and reproductions of photos and sketches.

* * *

Kingsbury S. Nickerson, President of the **First National Bank of Jersey City, N. J.,** has announced the advancement of Alfred J. Lill, Assistant Vice-President, to Vice-President, and James H. Meister, Assistant Cashier, to Assistant Vice-President. Both appointments became effective following action by the Board of Directors at its Jan. 20 meeting.

Mr. Nickerson, also announced that the Board of Directors has appointed Mrs. Helen B. Fisher and Miss Jane Atkinson as Assistant Cashiers of the bank. Mrs. Fisher and Miss Atkinson thus became the first distaff members of the bank's official family, Mr. Nickerson pointed out.

Miss Atkinson, joined the First National Bank in 1952, after 14 years in Wall Street, and was named head of the women's banking division at the Bergen Square office.

* * *

John F. McNelis, President of the **North Philadelphia Trust Company,** died on Jan. 22 in Chestnut Hill Hospital after a brief illness. He was 63 years old. His death occurred on the last day of the bank's corporate existence.

* * *

The Riggs National Bank of Washington, D. C., increased its common capital stock effective Jan. 15, from $5,000,000 to $6,000,000 by a stock dividend.

* * *

By a stock dividend effective Jan. 14, **The Central National Bank of London, Ohio** increased its common capital stock from $100,000 to $200,000.

* * *

Mr. Raymond T. Perring, President of **The Detroit Bank, Detroit, Mich.,** reported that at the Annual Meeting of Shareholders held Jan. 19, 1954 a 10% stock dividend was approved, and the necessary increase of 75,000 shares of stock amounting to $750,000 was authorized. When the stock dividend is issued the capital stock will total $8,250,000 consisting of 825,000 shares.

The stock dividend of 10% (one full share for each 10 shares owned) will be payable Feb. 5, 1954, to shareholders of record Jan. 19, 1954.

The proposed increase was given in the Dec. 10 issue of the "Chronicle" Page 2274.

Mr. Perring also announced the following appointments made at the Board of Directors meeting on Jan. 19, 1954.

George R. Berkaw, Jr., Bond Investment Department; Burt R. Shurly, Jr. and C. Boyd Stockmeyer, Commercial Loan Department from Assistant Vice-Presidents to Vice-Presidents. C. Leonard Abbott, Commercial Account Department, and Harold B. McPherson, manager of Gratiot-Outer Drive office to Assistant Cashiers.

Mr. Berkaw started with the bank in January, 1935. He was made Assistant Cashier in September, 1939 and Assistant Vice-President Jan. 15, 1946.

Mr. Shurly was elected an Assistant Vice-President on Sept. 11, 1951.

Mr. Stockmeyer joined the bank in 1941. He was made an Assistant Cashier in March, 1946 and an Assistant Vice-President in January, 1951.

Mr. Abbott staarted with The Detroit Bank in 1922.

Mr. McPherson started with The Detroit Bank in 1915. He was named branch manager of the Twelfth-Clairmount office in 1921. In 1925 he was promoted to open and manage the then new Gratiot-Westphalia office.

* * *

The Michigan National Bank, Lansing, Mich., increased its common capital stock from $5,000,000 to $6,000,000 by a stock dividend effective Jan. 15.

* * *

Cameron Pettiss was promoted from Assistant Cashier to Assistant Vice-President, and Walter J. Smith from Assistant Comptroller to Assistant Cashier, at a recent meeting of directors of **First National Bank, Mobile, Ala.**

* * *

Deposit Guaranty Bank & Trust Company, Jackson, Miss., and **Commercial Bank & Trust Company, Jackson, Miss.,** merged under the title of **Deposit Guaranty** Bank & Trust Company effective Jan. 2. The former main office and the two branches formerly operated by Commercial Bank & Trust Company in Jackson will be operated as branches by Deposit Guaranty Bank & Trust Company.

* * *

Two new Vice-President were named in the headquarters office of **Bank of America, San Francisco, Calif.** Edwin McInnis of the trust department, and J. Hayden Hull of bond investment department.

Announcement of the two promotions was made by Carl F. Wente, President of the bank. Both men have served the bank more than a quarter century and have recently held the rank of Assistant Vice-President. Mr. McInnis has been with the trust department since 1932 and in the past decade has supervised the department's new business activities in northern California.

Mr. Hull began with Bank of America as a teller in the San Francisco Main Office in 1928, was assigned to the analysis and Research department in 1932, and three years later took his first post in bond investment department.

* * *

Forty-five years service with **California Bank, Los Angeles, Calif.,** were recently completed by George E. Jones, Assistant Cashier, of the bank's Sixth and Grand Office. Claude M. Sebring, Assistant Vice-President in charge of the San Pedro Office, marks his 30th service anniversary in January. Wilton M. Adams, Secretary of **California Trust Company,** wholly-owned affiliate of California Bank, completes his 20th year of service on Jan. 29.

* * *

B. E. Brownell, formerly trust officer, was recently elected Vice-President of **California Trust Company, Los Angeles, Calif.,** —wholly-owned affiliate of **California Bank** — and K. C. Prange was elected Assistant Secretary, Frank H. Schmidt, President announced.

Mr. Brownell joined the staff of California Bank in 1921. He advanced to Assistant Cashier in 1923 and from 1926 to 1946 was with Group Corporation, former affiliate of California Bank, in various executive capacities including that of President and Director. He was elected Assistant Vice-President of the bank in 1946 and trust officer of California Trust company three years ago.

* * *

Oscar T. Lawler, President of **The Farmers and Merchants National Bank of Los Angeles, Calif.,** announced that Alfred Holgate, who has celebrated his 44th anniversary with the bank and Joseph Mautner, who has been with the bank for 20 years, were appointed to Assistant Cashiers. Gerald F. Willmont and Walter R. Holland, who have been with the bank for 26 and 27 years respectively, were elevated to Assistant Trust Officers. Theodore Weisman, Southern California attorney was elected member of the board of directors to replace Mr. F. S. Coates. All other members of the board were re-elected and the directors renamed all present officers.

* * *

The Vale branch of the **United States National Bank of Portland, Oregon,** moved into a new building during January. The official opening of the new quarters was attended by E. C. Sammons, President, and other officers from the bank's head office in Portland.

During the past five years, new branch buildings have been completed at Ontario, Athena, Sheridan and Madras. Remodeling projects have included Citizens branch in Portland and branches at Bend, Burns, Oregon City, Redmond, Salem and The Dalles.

The U. S. National's Vale branch was established in 1947. D. E. Masterson is manager and Verl W. Dowers is Assistant Manager.

* * *

T. H. Atkinson, General Manager, of **The Royal Bank of Canada** since 1949, has been elected Vice-President of the bank, it was announced on Jan. 14. Mr. Atkinson will continue in his capacity as General Manager.

The following men were elected Royal Bank Directors:

C. J Morrow, President of National Sea Products, Ltd., Lazarus Phillips, O. B. E., Q. C., founder of the law firm of Phillips, Bloomfield, Vineberg and Goodman, E. C. Wood, President and a Director of Imperial Tobacco Co. of Canada, Ltd.

* * *

The Directors of **Midland Bank Limited, London, Eng.,** have announced that The Right Hon. Sir Alan Frederick Lascelles, G.C.B., G.C.V.O., C.M.G., M.C., has been elected a member of their board and of the board of the **Midland Bank Executor and Trustee Company Limited, London, Eng.**

The Directors also announce with regret that, owing to advancing years, Colonel The Right Hon. Lord Wigram, P.C., G.C.B., G.C.V.O., C.S.I., has resigned from the boards of the bank and of the Midland Bank Executor and Trustee Company Limited.

West Virginia Turnpike To Open in Summer

"The West Virginia Turnpike will be of almost inestimable value to the State of West Virginia when it is opened for traffic this summer," Governor William C. Marland said January 27 as he pledged full support for the express toll highway which cuts through the mountains and will remove a serious congestion between the industrial Great Lakes and the rich production areas of the South.

William C. Marland

Governor Marland said, "We are proud of the progress made to date on the Turnpike where the construction engineers have completed more than 90% of the grading. Incidentally, the task of pushing a traffic artery through our West Virginia mountains has been an amazing and outstanding engineering accomplishment and West Virginia is justly proud of what will be one of the most beautiful turnpikes in the United States.

"If the experience of other toll roads, which have opened in the past five years, set a precedent, the conservative estimates of revenues so far made undoubtedly will fall short of the actual results and it will more than pay its way. It is not without the realm of possibility that revenues

will exceed current expectations, and the Turnpike authorities then will be able to proceed with the dualizing of the original two-lane express route and the extensions which additional traffic will make necessary.

"Heads of the larger bus and truck companies who will patronize the Turnpike are solidly behind it and I am glad to pledge the support of the Governor's Staff in this progressive development."

Bagley Appointed By J. A. Hogle Co.

SALT LAKE CITY, Utah—James E. Hogle, Managing Partner, J. A. Hogle & Co., 132 South Main Street, members of the New York Stock Exchange, has announced the appointment of Edward N. Bagley as Manager of Salt Lake Office headquarters of the 39-year old firm with offices in New York and 16 Mountain and Pacific Coast cities.

Edw. N. Bagley

Mr. Bagley, a native of Salt Lake City, has been with the firm since graduation from Utah State Agricultural College in 1933, except for military service during World War II, when he served as Artillery Officer in the European Theater where he attained the rank of Lt. Colonel.

Since 1950, Bagley has been Manager of Hogle's Investment Securities Department in Salt Lake and active in financial and civic circles. He is Vice-President of the Utah Securities Dealers Association, and a member of Kiwanis International American Legion, Aviation Club of Utah and Reserve Officers Association.

Exchange Dinner for 25-Year Employees

The New York Stock Exchange will be host to 325 employees with a quarter century or more of service at a dinner Thursday, Jan. 28. The dinner, an annual event, will be held at The Towers Hotel.

Guests will include Keith Funston, President of the Exchange, Richard M. Crooks, Chairman of the Board, and Edward C. Gray, Executive Vice-President. Mr. Gray, who joined the Exchange 36 years ago, will act as toastmaster.

The quarter century group represents almost one-third of all currently active employees of the Exchange and affiliated companies. More than 100 completed their quarter century in 1953 while 25 have been with the Exchange over 40 years.

Average length of service of the 325 is approximately 30 years.

Completion of 25 years employment at the Exchange is commemorated with the gift of an appropriately engraved gold watch.

Two ladies are among those who have seen 25 years or more of service: Miss Elizabeth Glende, Assistant Chief Telephone Operator, and Miss Ruth Marks, Manager of the Quotation Service Division.

With the Exchange longer than any other employee is Thomas Walsh, a technician on the trading floor. Mr. Walsh is scheduled to retire from active service on Sept. 1 this year—after being with the Exchange for more than 51 years.

Continued from first page

As We See It

not be a matter of some importance, but as the subject is an intricate one, much would depend upon the administration of the schemes proposed, and in any event the program is not outlined in full detail as yet. Accordingly, we shall pass this question by for the time being for what seems to us to be a much more vital issue.

Concedes Too Much

The President seems to assume or to concede—as all too many of the politicians of the day assume or concede—that somehow agriculture is a thing apart, a "way of life" as some dispenser of soothing syrup once described farm existence, a domain where ordinary rules of economic and social life do not apply. Somehow, sometime we must begin thinking rationally and realistically about the place of agriculture in the scheme of human economic activity. The sooner we do so—whether it be in an election year or some other year—the sooner we shall succeed in relieving ourselves of a frightful burden of waste and misapplication of labor, capital and natural resources.

Once more we are being regaled with oratory about the fundamental importance of agriculture. Once again the importance of the farmer in our economic scheme of things is shouted from the housetops. All this has become commonplace for decades—we had almost said centuries. But we still hear no orator adding that it is precisely because the farmer is able to stand on his own feet, and produce for the remainder of the country what it needs at prices which are not more than the remainder of the country regards as being in accord with the value of the products and services, that agriculture is indispensable to national welfare.

Let us strive to put out of our heads the physiocratic notion that the farmer is in some special category, and must be kept happy and at work on his acres by bribery and largesse.

The real place of agriculture—and of the urban producer—has never been more sanely and aptly described than by Adam Smith; and all the nonsense of the day to the contrary, nothing has happened since to render inapplicable the burden of what he has to say. "The great commerce of every civilized society," says Smith, "is that carried on between the inhabitants of the town and those of the country. It consists in the exchange of food for manufactured produce, either immediately, or by the intervention of money, or some sort of paper which represents money. The country supplies the town with the means of subsistence and the materials of manufacture. The town repays this supply by sending back a part of the manufactured produce to the inhabitants of the country. The town, in which there neither is nor can be any reproduction of substances, may very properly be said to gain its whole wealth and subsistance from the country. We must not, however, upon this account, imagine that the gain of the town is the loss of the country. The gains of both are mutual and reciprocal, and the division of labor is in this, as in all other cases, advantageous to all the different persons employed in the various occupations into which it is subdivided.

"The inhabitants of the country purchase of the town a greater quantity of manufactured goods, with the produce of a much smaller quantity of their own labour, than they must have employed had they attempted to prepare them themselves. The town affords a market for surplus produce of the country, or what is over and above the maintenance of the cultivators, and it is there that the inhabitants of the country exchange it for something else which is in demand among them. The greater the number and revenue of the inhabitants of the town, the more extensive is the market which it affords to those of the country . . ."

It is when one considers such simple, elemental truths as these that one is staggered by the folly that is so perennially now preached in political quarters about agriculture and its role in modern economic life. One would suppose that farm operations had become for some reason so unpopular that the food supply of the world was in serious danger. One might imagine that no one longer wished to be a farmer, and that in order to keep us all from starving (or falling into a state of abject dependence upon foreign producers) we must pay bounties to farm operators, or else they would leave their acres and come to town.

Facts to the Contrary

Yet, what are the facts? Well, as things stand we are hardly lacking products of the farm, as any one may easily see from the mountains of potatoes that some years ago were burned in oil to get them off the market; from the vast oversupplies of butter which today we are trying to peddle somewhere abroad, quite possibly to Russia; from the vast quantities of wheat bursting the bins and the elevators of the country, and from the all but universal surpluses of farm products of almost all kinds. How can anyone say for a moment that production of these excess supplies is to be encouraged in the interest of us all? How can bounties be paid upon the production of these things without encouraging the growth of such surpluses, and why the bounties in any event if all that is needed of these things is forthcoming anyhow? Is there nothing else for some of these farm operators to do, which would redound more to the benefit of us all? Upon what basis can a policy be defended which keeps more and more men at work on the land to produce less and less of the good things of life?

Like the President, we may not be too smart politically, but we are quite certain that there is something radically wrong with this whole current attitude toward agriculture.

Eppler, Guerin Firm Appoints Vice-Prs.

DALLAS, Texas — John W. Turner, President of the investment banking firm of Eppler, Guerin & Turner, Fidelity Union Life Building, has announced the appointment of G. L. McCarthy and Norman J. Sitzenstatter as Assistant Vice-Presidents of the firm.

G. L. McCarthy is District Manager of Eppler, Guerin & Turner's Fort Worth offices.

Norman J. Sitzenstatter, Manager of the Firm's Trading Department, was formerly with A. T. Geyer and Company and Graham, Parsons & Company in New York. He has been identified for many years in leading security Trading Departments in New York. He was Secretary of the Corporation Bond Traders Club in New York and member of the Dallas Securities Dealers Association.

The firm of Eppler, Guerin & Turner conducts a complete investment banking business. Underwriters and distributors of corporate and municipal securities, the firm executes orders in all listed and over-the-counter common and preferred stocks, in the shares of investment companies and in corporate and municipal bonds.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

GREENVILLE, N. C.—Darrell W. Shope is with Reynolds & Co.

NYSE Appoints Muller Vice-Pres.

George F. Muller, 39-year executive of the Stock Clearing Corporation, has been appointed a Vice-President of the New York Stock Exchange, Keith Funston, President, announced.

George F. Muller

Mr. Muller's new assignment will be to develop improved methods and means for the functions and services of the Exchange and its affiliated companies. He will retain his title of Vice-President and Secretary of the Stock Clearing Corporation, a subsidiary of the Exchange.

Mr. Muller joined the Exchange in 1941 after graduating from the University of Louisville in 1940. He left in 1942 to become Chief Accountant of Todd Shipyards Corp., Erie Basin Division, Brooklyn, N. Y. In 1944 he became Assistant Controller of the Marine Division of Bendix Aviation, also in Brooklyn.

He returned to the Stock Exchange in 1946 as Assistant Secretary of Stock Clearing Corp., was named Vice-President of that organization in 1947 and Vice-President and General Manager in 1950.

Lawrence J. Cassidy, a Stock Exchange employee since 1920, was appointed Assistant Secretary in Charge of Operations of Stock Clearing Corporation.

Cashiers' Division Elects New Officers

James J. Duddy, of Carlisle & Jacquelin, was elected President of the Cashiers' Division of the Association of Stock Exchange Firms following the annual meeting. Mr. Duddy succeeds D. Lionel Howedel, of Jas. H. Oliphant & Co.

Other officers elected included: T. Alvah Cowen, of Peter P. McDermott & Co., Vice-President; George J. Miller, of Hallgarten & Co., second Vice-President; Myrvan P. Burns, of Bear, Stearns & Co., Treasurer, and William R. Muller, of Francis I. du Pont & Co., Secretary.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The opinions are still very strong that the ease in the money markets will continue and prospects are good, that there will be even greater ease if the economy should show evidence of further deterioration. Accordingly, buyers of Government obligations are extending maturities because there is both the desire and the need to obtain income. Commercial banks continue to be the principal buyers of Government securities with the shortest and the longest maturities getting most of the attention at this time. The intermediate term obligations have not been in too much favor recently because of impending developments which could have a temporary influence upon the market action of these issues.

New highs in certain of the longest and higher coupon obligations attest to the fact that buyers of Government securities are apparently not too much concerned about issues that might be offered in the same maturity range and the effect it could have on prices of these securities. This seems to be indicative of the constructive attitude toward the market for Treasury issues.

A Thin Market

The Government market is again acting pretty much true to form—that is, when prices are going up there are very few if any sellers. This usually makes for conditions which are not too desirable as far as either investors or traders are concerned. The lack of offerings in certain Government issues has made for a thinness which is not generally beneficial either as far the technical position of the market is concerned. To be sure there has been more of a tendency to step-up prices in order to acquire needed obligations.

However, in many instances securities that have been offered for sale have been pulled because prices looked higher and buyers have had to pay through the nose for them and yet still not get the full amount they were after. This is most certainly a bull market symptom but it does not go on too long usually without some kind of a fairly important reaction taking place. Swings in quotations of governments in both directions has always been favorable as far as the market is concerned since it allows buyers to get in at prices they consider to be desirable. At the same time the sellers of these securities become prospective buyers which is also beneficial as far as the action of the market is concerned.

Treasury in Driver's Seat

The fact that offerings have been very limited in size from time to time, and this applies to all sections of the list, means that the powers that be can readily dictate whatever terms they want to in the refunding operation. There is nonetheless a certain amount of risk in such a course of action because a market that advances too rapidly and too sharply can be very vulnerable to changes in economic conditions.

At the moment the money markets are reflecting to a certain degree at least the belief that the rolling readjustment in business which was interrupted by the Korean conflict is being resumed. This means that competition will be more intense in many industries, unemployment will rise, and the economy will be going through the so-called "cleansing process." Easy money rates is the sedative that is usually given under such conditions and this leads money market specialists to look for more and easier credit in the future.

If the business picture should worsen more than is expected, quicker action would no doubt be taken along monetary lines in order to ease the pain. There is no question but what this kind of monetary policy is bullish and will mean higher Government bond prices. This is in spite of the sharp and rapid rise which has already taken place in quotations of these obligations. The talk about the 3¼s selling above 110 and the long-term 2½s going back to 100 would not be just so much idle talk under such conditions.

Other Side of the Coin

On the other hand, what will happen to the money markets if the Congress decides to embark upon a spending program in order to combat the forces of deflation? What will take place if such a development should again kindle the inflationary fears? Would there still be the same easy money policy which has been in evidence for some months now? Would the monetary authorities act as they did in the early part of 1953, and tighten credit in order to combat the forces of inflation? These are some of the questions that are being asked in the financial district by those who believe there might be a revival of Government spending in order that the deflationary forces can be retarded.

Commercial banks continue to be attracted to the longer-term 2½s and show no tendency to back away from them despite the rising prices and the belief that future refunding issues could fall in that maturity range. Private pension funds have also been active in the most distant 2½% bonds.

Fischer of Merrill Lynch Giving Course

The first of 15 Tuesday evening sessions of Leonard Fischer's course on "Investments" begins in the School of General Studies at Hunter College on Feb. 16, Director Edward Davison announces. Mr. Fischer of Merrill, Lynch, Pierce, Fenner & Beane has been teaching this course for several years past at Hunter. Many business leaders, housewives and people in all walks of life have enrolled in it. "The course will cover stock market trading, investment planning, types of securities and sources of financial information," Professor Davison said.

Mr. Fischer explained that in addition to the lectures which he will give, arrangements have been made for outstanding specialists in the field to be guest speakers. Instead of using academic text books, those attending the course will be provided with investment material actually being used week-by-week in the financial industry.

Registration for this course and the other 450 courses will be held at Hunter College, 69th Street and Park Avenue, on Feb. 1, 3, 4 and 5 from 6 to 9 p.m. Class will begin Feb. 16.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Destruction by fire reached a record total in 1953. According to estimates of the National Board of Fire Underwriters, fire damaged or destroyed $903,400,000 worth of property in the United States last year. This was 15.1% above the total of $784,953,000 reached in 1952, the previous record and 23.5% higher than the estimate of 1951.

Estimated losses on a monthly basis and totals for the last three years are shown in the following tabulation.

FIRE LOSSES

	1953	1952	1951
January	$76,659,000	$74,155,000	$68,686,000
February	72,706,000	69,925,000	69,136,000
March	83,471,000	73,254,000	71,507,000
April	67,362,000	67,380,000	62,965,000
May	64,239,000	62,354,000	58,744,000
June	67,644,000	58,585,000	56,403,000
July	74,938,000	61,675,000	52,220,000
August	107,713,000	56,462,000	55,416,000
September	68,613,000	58,949,000	53,398,000
October	58,551,000	63,958,000	54,660,000
November	68,064,000	65,129,000	60,064,000
December	83,440,000	74,127,000	68,206,000
Total	903,400,000	784,953,000	731,405,000

The trend of losses was upward during most of the year with totals in all but two months of 1953 exceeding the comparable periods of the previous year. Losses were particularly heavy in March, August and December.

The very large loss total in August was primarily the result of the $40,000,000 fire at the General Motors transmission plant at Livonia, Mich. Complete destruction of the plant made the loss the largest in a single plant in the history of the country.

Also losses in December were particularly heavy increasing by 22.6% over the November total. They were 12.5% higher than in December, 1952, which was close to the highest total of any month in that year. To some extent this reflected seasonal considerations as December and January are normally the periods when losses, because of the heating season, are higher.

There is also evident over the past several years the rising trend of fire losses. While fire protective organizations have been expanded and have improved their efficiency, loss totals have continued to increase. A combination of greatly increased amounts of property constructed in the postwar period as well as rising property values has meant the exposure to fire in terms of dollar values has been much larger. Thus, in spite of the large losses, the physical destruction by fire relative to property values and population has not been so great as the totals might indicate.

As an indication of this, it can be pointed out that fire underwriting operations have been generally quite profitable. Of course this profitability was in past based upon the structure of premium rates but the profitability of the fire lines indicated that losses relative to volume were not excessively large.

In the past year, however, there have been a number of developments which indicate that the margin on straight fire business is declining. Fire losses have continued to rise, and according to some at a faster rate than property additions. At the same time, premium rates reflecting the profitability of earlier periods have been reduced by many states.

It may take some time for these trends to be reflected fully in underwriting operations. However the implication is clear—underwriting profit may be squeezed between rising losses and declining rates.

These factors may be evident in the annual reports of the various companies to be issued in the coming weeks. Present indications are that the impact on 1953 operations was relatively modest. Because of the importance of the fire lines however, the figures will be watched with unusual interest this year.

Howard Louden Joins Westheimer & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Howard D. Louden is with Westheimer & Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges. Mr. Louden was formerly an officer of Holton, Farra Company of Lexington.

C. R. Wilson With Smith, Barney & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles R. Wilson has become associated with Smith, Barney & Co., 39 South La Salle Street. Mr. Wilson in the past was local manager for the Milwaukee Company and prior thereto was with Glore, Forgan & Co.

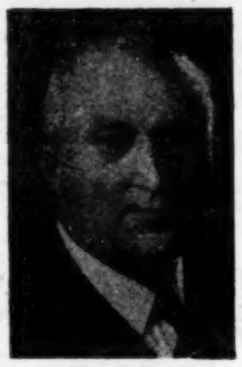
Business and Finance Speaks After the Turn of the Year

Continued from page 6

BRUCE BAIRD

President, National Savings & Trust Co., Washington 5, D. C.

The matter of interest rates is one of genuine importance to borrower and lender and there has been much speculation of late as to whether the levels which are now current will continue firm or soften. We have seen the sharp rise in government bond interest during the early part of 1953 with Treasury bills yielding more than twice their former returns. This seemed to indicate a continuing increase in commercial mortgage interest but the bill rate has substantially declined since the middle of the year and the question is now posed as to the position of interest rates generally.



Bruce Baird

We believe that this question, as most questions in the banking business, can be answered and only answered by the operation of the law of supply and demand. Escape from this law is only made possible through the intervention of artificial restraints and controls from which we are fortunately emerging. Government issues are no longer pegged and the Federal Reserve Board seeks only to moderate the peaks and valleys of a free economy, not to hold the interest level at a pre-determined rate.

Hence the answer to the question of interest rates rests with the determination of the people at the grass-roots of our economic system. Should they as a whole continue with normal business activity and enterprise there will be a demand for money and a competition for loans. If they should retreat, retrench and curtail expansion the reverse would apply. The wholesome fact is that the situation rests with the people and we are freed from a managed economy.

Much is being done to eliminate waste and extravagance in our Number One business, the administration of our far-flung Federal government activities. It is this business that consumes our tax dollar. Economy in government operation certainly should not depress business activity; rather by transfer of workers to the development of productive enterprise the result would be to reduce the need for taxes, at the same time increasing the sources of taxation. Given no relief from the mounting cost of government our already stifling tax burden will advance to the point of diminishing returns through suffocation of the incentive for initiative and the employment of risk capital. Taking into consideration all factors present and after sampling the feeling among business men all over the country we would say that the outlook for the future economic soundness and prosperity of our country warrants an optimistic approach.

M. R. BATY

Executive Vice-President, Hackley Union National Bank of Muskegon, Muskegon, Mich.

As we enter 1954 we look back on 1953 as having been a most satisfactory year, in general, for business in spite of almost unanimous forecasts a year ago that it would be a year of depression. It is true that since mid 1953 we have entered into a buyers' market in nearly every business. A buyers' market is a new phase to many in the business world. Since the end of World War II business, almost without exception, has been a matter of taking orders and then deciding what orders would be filled. Now a sellers' market prevails whether a product or a service is involved. All too many in business know nothing, from experience, of a buyers' market. Those who have entered business since 1939 do not. Those who were in business prior to that time had to be salesmen. They knew the problems confronting business when supply was slightly or greatly in excess of demand. A comfortable phase in business is to have supply moderately less than demand. That is not a natural phase of business—at least business as those born prior to 1900 learned it.

M. R. Baty

The current year for those who work hard and sell hard will not be unsatisfactory. We are in a period of adjustment. Supply in nearly all segments of our economy is in excess of demand at the moment; however, the needs of our economy are great. Those who apply themselves diligently in 1954 will find buyers at satisfactory prices—they may be lower. The gross national product is in a declining phase and probably will continue with an overall decline of some place between 7% and 10% at the year end. Our defense spending will not expand but its decline will be moderate. Disposable income after taxes will decline to around $240 billion with personal consumption expenditures running at about $222 billion. Personal savings now being accumulated at about 7½% of disposable income will not change greatly. Interest rates, after staging one of history's most spectacular advances last spring, have softened and probably will continue soft. The present 3¼% rate for prime names will not hold throughout the year. We have a national Administration largely dominated by successful businessmen pledged to a program of maintaining stability in our economy. We old timers do not like to admit the fact—nevertheless the national government has broad powers available to cushion a business decline. It is true that some of these weapons have not yet been tried in the field and they may not be as effective in actual application as they are in theory. Nevertheless the Administration is pledged to the maintenance of economic stability. We know that our highway system is 20 or 25 years behind actual needs. We know that the physical plant for teaching our great crop of youngsters is not adequate, is in fact antiquated in most communities. Within these two fields alone rest a substantial cushion against a severe business decline. During 1954 in industry by industry there will be trials and tribulations as there will be company by company. Sound management, the will to work and a growing America means a future that can be faced with confidence. There will be problems in 1954 but without problems business would be something else and probably not very interesting.

EUGENE C. BAUER

President, Poor & Company

The belief is that the oncoming readjustment period will not be as pronounced as some people think. On the other hand, we are reluctant to make any prognostications as to the future as general business as a whole will have an important bearing on what lies ahead. Presently our railroad business is quite satisfactory, and while this same condition does not prevail throughout all of our divisions, we do look ahead with hope and confidence.

Eugene C. Bauer

CHARLES E. BECKER

President, The Franklin Life Insurance Co.

I was born an optimist, and I suspect that I will always be one.

Nor do I, in the slightest, regret that this is so.

Frankly, I have always felt that depressions are born in the mind, and usually fester and develop there. In many ways I believe that the horrible depression of the 30's need never have happened. The nation developed a mass neurosis; we thought things were bad, or ought to be . . . and thinking made them so.

Charles E. Becker

All the while there were great needs for the products and services which this nation and its skilled people were able to develop . . . but our distribution system was out of kilter.

Why should we let this happen again? We are immensely bigger than we were then. We have grown in global importance. We have created needs, and wants and services which did not exist then. We have just reached a height in prosperity which was undreamed of a decade ago. And we still have many unfilled needs, demands and dreams.

Our employment is at almost a peak. Savings banks and building and loan institutions are bulging. Life insurance is rising to a stature in public esteem, heretofore unknown . . . this in spite of the fact that sales in the recent past have outstripped our wildest dreams.

In my deliberate judgment 1954 will be just as good as we make it. We can make it excellent, we can make it mediocre. (I don't think, even with our worst efforts we can make it bad.)

Spectacular success in our business always demands salesmanship. Salesmanship means work. We must stimulate our field men to see as many potential prospects as they possibly can each single working day. And we must provide them with the tools, the promotional material, the sales aids, and the prestige builders, to make their job as easy as possible.

With team work in our organization (and I am happy to say that we have it) I anticipate a better production in 1954 than the staggering million-dollars-of-paid-business-a-day which we produced in 1953. And I sincerely believe that there is no reason why every legal reserve company should not likewise enjoy peak prosperity.

B. E. BENSINGER

President, The Brunswick-Balke-Collender Co.

Billiards and bowling, which at the moment is the backbone of our business, should continue to enjoy its proportionate share of the recreation dollar in 1954. Bowling is still growing, and the more leisure time available to the workers the more can they be expected to enjoy this, the largest of participant sporting activities. Naturally, the bowling business is affected by employment, but with high employment and high wages plus perhaps shorter working hours we look for a continued growth in the bowling field.

Our company has recently entered the school furniture business and we are most optimistic about its future. Our line which implies "comfort in modern design" has received outstanding acceptance on the part of educators, architects, school superintendents, and of those connected with education from coast to coast.

The Horn division of our company which, through approximately 70 agents, manufactures and merchandises gymnasium equipment (folding bleachers, folding partitions, folding stages, and wardrobes) is expected to continue its forward progress. I might say we look forward with great confidence to a rapid and continuous growth in the entire school field for our two new lines, namely, school furniture and gymnasium equipment.

Our company is currently engaged in certain vital defense work and even though we have been affected by the "stretch out" we expect to continue to produce a rather sizable volume of defense business.

GEORGE B. BEITZEL

President, Pennsylvania Salt Manufacturing Co.

In many respects, 1953 was the peak year for the chemical industry. Both sales and capital expenditures were the highest in history. Profits, however, while showing a gain over 1952, fell short of the level achieved in 1950. I expect chemical industry sales in 1954 to be about equal to the $20.4 billion estimated for 1953. Incidentally, this figure represents about 10% of all manufacturers' sales, indicating the sizable part chemicals play in the National picture.

George B. Beitzel

The chemical industry's capital investment program, which set new highs in each of the last three years, reached a level of about $1.6 billion in 1953. In 1954, expenditures for this purpose will probably drop to around $1.5 billion. I do not expect to see any greater cutback than this for two reasons. First, chemical process equipment wears out faster than equipment in other industries; and second, new products and more efficient processes are continually being developed. Each of these requires a systematic program of capital improvements for companies to remain competitive.

Profits have been squeezed by rising costs and higher taxes. One profit-depressing factor during the next few years will be the use of accelerated depreciation. Many companies who have availed themselves of this cash-saving opportunity will show smaller book profits, though their working capital will be increased.

There have been many predictions of a decline, or at least a leveling off of the Nation's business in 1954, and since the chemical industry is one of the components of our integrated economy, I expect it to react in somewhat the same general manner. However, due to this industry's diverse nature, any such adjustment will merely be the resultant of many oft-counter forces. An example of a stimulating segment is plastics, which seem to find new uses every day. On the other hand, agricultural chemicals is one branch of the industry for which the future holds uncertainties.

From now on, I expect the American chemical industry to face much stronger competition from foreign producers. Heretofore, the German and British chemical industries have been busy satisfying the accumulated demand of their own geographic areas. But, in the future they will be looking further afield for potential business. This means the attempt to find a market within the United States. This situation will provide additional impetus for the domestic producers to place greater emphasis on selling in 1954 than they have in the recent past. Additional marketing mechanisms, such as advertising and technical sales-service, will aid the industry in making a concerted effort to increase intelligent consumer demand for chemical products.

Considering all economic factors together, we may be in a period not unlike that of 1949 which we can call a leveling out, but it is comforting for the outlook of 1954 that this plateau is higher than it has ever been before.

On the securities marketplace, which is the supreme court of investor opinion, chemical equities have been commanding higher prices in relation to earnings than have stocks of many other industries. This demonstrates the confidence the investing public places in the growth prospects of chemicals. Over the medium and long term I believe these expectations shall most certainly be fulfilled.

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S. BRUCE BLACK

President, Liberty Mutual Insurance Co.
Liberty Mutual Fire Insurance Co.

The next 12 months will mark a return to more normal operations in the Mutual Casualty-Fire insurance field than have been witnessed over the past four years. The outbreak of the Korean emergency created a renewal of the upward spiral of wage-price relationships which began during the World War II period. These developments reflected themselves in the operating problems faced by the Casualty-Fire insurance industry. First-off came the inflation in property values which created so great an expansion in the market for property insurance cover as to strain the capacity of the companies. Accompanying this situation, the casualty business had to meet demands created by a substantial expansion in employment, marked simultaneously by a serious upsurge in industrial accident frequency rates. At the same time there was a large increase in automobile insurance volume at a time when the coverage was being written at premium rates that did not reflect the serious inflation in cost per claim settlement. The interplay of these forces raised a host of problems in the business for which sound solutions can be found only in a period of relative economic stability. It now looks as though 1954 will be a year of adjustment, and a time in which real progress can be made towards strengthening basic operations in the industry.


S. Bruce Black

At the end of 1952, Workman's Compensation premiums written by all companies had increased by one-third over the 1950 level, and a further gain is indicated for 1953. The premiums for this line of insurance reflect the composite of industrial payrolls, the incidence of work accidents and the level of benefits provided by law for injured workers. The sharp upturn in industrial employment in 1950 and 1951 resulted in a serious increase in industrial accident frequency rates, reflecting the recruitment of untrained people and the speed-up in production. This was accompanied by soaring medical and hospital costs for the treatment and rahabilitation of injured workers, and there were also sharp upward adjustments in the level of weekly indemnity payments provided by the Workmen's Compensation laws. The experience of the carriers, resultant from these factors, proved that premium rate levels were grossly inadequate. Progress towards correction through upward premium rate revisions was made in 1952 and 1953 and there has also been an encouraging improvement in accident frequency rates. We believe that there will be a reduction in overtime work in 1954, reflecting more normal operating conditions in industry, and that this will lead to still further improvement in Workmen's Compensation accident frequency. Although this forecasts some reduction in industrial payrolls which will cause premium volume to shrink, it is thought that the improvement in loss experience will more than offset whatever reduction in premiums occurs within the next 12 months.

Automobile insurance premium rates have now been brought to levels which generally reflect current levels of incurred losses per accident reported. Therefore, if automobile accident frequency rates, which have tended to show improvement since 1951, continue to be held in check, the outlook is for a more favorable experience in 1954 than the extremely adverse results suffered in 1951 and the generally unprofitable experience of 1952. An improved outlook experience-wise will, without doubt, be met by a resurgence of very competitive conditions in the automobile insurance market. As a result, it is thought that the only companies that will be able to show gains on the automobile lines in 1954 will be those which offer a superior claims and coverage service to their policyholders.

The sharp increase in new residence and other construction since the end of World War II, coupled with the inflation in the values of existing structures, has caused the total fire insurance premium volume written by all companies to show an increase of substantially three-fold since 1945. This growth was already beginning to taper off by 1953, and there is nothing presently in the outlook to indicate any substantial expansion over present levels for 1954. In all likelihood the fire insurance field will return to more competitive conditions than have been witnessed during recent years. It is believed that the intensified competition will be accompanied by a further upward movement in the ratio of losses to premiums.

To Summarize: It is thought that in 1954 the Casualty-Fire insurance business will be able to operate under substantially more stable conditions than have existed during recent years. If this forecast is correct, improvements will be possible in internal company operations and there will be a return to stronger competition in the markets. Meanwhile, insurance buyers will become more conscious of the protection they receive from their premium expenditures. The gains made by Mutual insurance have always had their greatest momentum during periods of economic stability. Therefore, those engaged in the work Mutual carriers do for policyholders have good reason to be more optimistic for solid gains than were possible during the inflationary aftermath of World War II.

JOSEPH L. BLOCK

President, Inland Steel Company

The 1954 outlook for the steel industry and for our company is good.

We are now in the midst of a competitive era in the steel industry for the first time in almost 14 years. These conditions will probably prevail throughout 1954.


Joseph L. Block

In my opinion, the industry will operate at about 80% to 85% of rated ingot capacity this year. Such a rate of operations should be most satisfactory. Capacity of the industry has increased 50% since 1939, and, therefore, even 80% of the current capacity would be 120% of the 1939 figure.

The mills in the Chicago area should operate at better than the national average. The growth of steel consuming industries in the Midwest during the post-war era has been phenomenal, and should account for higher rate in this territory. Naturally, I have enough confidence in our own organization to hope that we may, in turn, even exceed the rate prevailing in the midwestern area.

THOMAS H. BLODGETT

Chairman, American Writing Paper Corp.


Thomas H. Blodgett

More than ever before I believe that under these changing conditions, adaptability to changes is perhaps the chief factor in attaining business success during 1954. With conformity to these changing conditions, the oncoming year should prove not only interesting but profitable to industry.

ERNEST R. BREECH

Exec. V.-P., Ford Motor Co.

Ford Motor Company closed out 1953 in the strongest position in its half-century of existence, posting record gains in production and sales.

The 50th anniversary year of Ford goes into automotive history as a turning point for the company and for the industry. It marked the shift — a welcome shift at Ford — from an economy inhibited by war and governmental controls, to an economy sparked by the return of full production and free competition.


E. R. Breech

I believe the company's performance in 1953 is some proof of the adequacy and effectivenesss of preparations at Ford for just such a situation ever since the end of World War II. This performance is recorded in the industry's most conclusive terms—vehicles produced and sold.

Despite controls on materials and unit production for part of the year, and despite several strikes in vital plants during the first half of the year, Ford Motor Company's production of 1,870,000 cars and trucks was close to the postwar record of 1,903,000 units, established in 1950. More impressive is the fact that passenger car production of 1,550,000 units in 1953 almost equaled the 1950 total of 1,557,000 units.

This was accomplished by reversing the traditional industry trend of cutting back on output in the second half of the year. More than 55% of the company's passenger cars and trucks produced in 1953 were made in the last six months. Heavy overtime schedules, which made this production possible, are expected to continue for at least the first quarter of 1954, and probably for some time thereafter.

But even more significant in 1953 was the sales record of our dealer organization, which capitalized on public acceptance of Ford Motor Company products to set a new pace during the year.

At the end of 1952, Ford products represented 22.8% of the total domestic passenger car market. By the end of 1953, this share rose to an estimated 24.9%—an increase of almost one percentage point over the postwar peak share of 24.0% in 1950.

Thus in 1953, when 6,150,000 cars were produced by the industry, Ford Motor Company's share of the passenger car market was greater than in the best postwar year, 1950, when 6,666,000 cars were produced by the industry.

While "share of the market" is a positive measure of progress, it is not a controlling figure as far as the future is concerned. Our total production in 1954 will be determined, not by what we sold in 1950 or 1953, but by schedules set on the basis of facts contained in current field reports from our dealers. In our facilities planning, we have estimated the market as far ahead as the next five years, with allowances for expectation of a reasonable increase in our share.

There were many reasons for this gratifying performance in a year of change and challenge. Some are set forth sharply in statistical records, others are intangibles associated with such qualities as prestige and good will. Taken together, they are symptoms of good health at Ford, and justification for an optimistic outlook as we appraise the New Year.

Company employment in the United States reached an all-time peak of 195,817 on Aug. 18, 1953, and the average monthly employment throughout the year was 185,000 persons. Ford payrolls reached an all-time peak of almost $1 billion a year. Relations between management and labor moved another step forward when the company established the most liberal non-contributory pension plan in the industry, amounting to $137.50 a month on retirement.

Several milestones in the company's postwar expansion program were passed in 1953. Twelve major construction projects were completed, and work was started on 15 others.

The company entered the agricultural machinery field on a greater scale with formation of the Ford Tractor Division, which now offers a full line of implements as well as the Ford tractor.

Defense product sales exceeded $625,000,000—more than six times the total of 1952. Some of Ford's defense programs were concluded during the year. Others will be concluded in 1954. Still others will continue for an indefinite period.

We are grateful for the highly favorable public response to events of the 50th anniversary observance. We attempted to tell the story of how a distinctly American institution has moved steadily forward on the American Road. The public saw, heard and read this story with heartening enthusiasm. The refurbished Ford Rotunda, showplace of the automotive industry, attracted more than 1,000,000 visitors during the year. The Ford 50th anniversary television program was witnessed by more than 55,000,000 persons, and press coverage of anniversary events was the most extensive in the history of the industry.

The new Research and Engineering Center at Dearborn, which was dedicated by President Eisenhower, symbolized our progress toward the continuing goal of improved products for the future.

These are some highlights of 1953 at Ford Motor Company.

We look to 1954 with confidence.

MILTON F. BROWN

President, Mercantile National Bank at Dallas, Tex.

Forecasting the economic future is always difficult. The elements of uncertainty involved in making projections for the year 1954 seem more difficult to evaluate than is usually the case. The fact that the year 1953 ended on a note of adjustment presents a variable factor quite difficult to analyze. Added to this is the scope and extent of Government actions in the fiscal, defense, and remedial fields and the plans and intentions of business and the buying public; peculiar to the southwest area, also, is a growth factor outstripping the country as a whole, uncertain weather conditions, and finally the carry-over effects of an extended drouth.


Milton Brown

As measured by most indexes, economic activity in the Southwest for 1953 will be of record-breaking proportions. Figures on production, distribution and income are particularly impressive. Exceptions to this general pattern include reduced agricultural income and a decline in construction.

It seems probable that the economic readjustments which have been under way for several months will continue well into 1954. Under such conditions it is likely that business will become more conservative, and a premium will be placed on able merchandising and sound business and financial policies. There appears, however, to be no reason why the passing from a boom to a normal economic situation should produce any undue tension on the economy. On the other hand, there would appear every indication that the economy should stabilize at a satisfactory level, only moderately below the current rate. While agricultural prospects have been improved with better rainfall during recent months, additional moisture will be needed in many areas to overcome the effects of the long drouth. The level of livestock prices and the accumulated surpluses of farm products and resulting acreage controls place a premium upon efficient and flexible farm management practices. It is heartening to report that 1953 results were more favorable than were expected earlier and exceeded production in 1952. Over the long term the conservation and utilization of water supply continues to deserve the most thoughtful consideration of both agriculture and industry. Moreover, proper crop and soil management practices are of great importance to the well being of agriculture and will contribute toward improved water resources.

A measure of reassurance can be derived from the strong position of the banking system. Not only do the banks have liquid resources sufficient to provide for fluctuations in deposits but to take care of new advances of a constructive nature as well. It seems clear that the monetary authorities are alerted to the adjustment which has been going on in the economy and will move to make the fiancial weather as favorable as possible for the maintenance of a high level of production and employment.

R. R. BRUBACHER

President, The Toy National Bank and The Farmers Loan & Trust Co., Sioux City, Iowa

Sioux City is located primarily in an agricultural community. Consequently, when agriculture prospers, so does the community prosper.

Our territory enjoyed good crops in 1953. Corn is being sealed at something over $1.50 per bushel, and many feeders are sealing corn rather than feeding cattle. Cattle going to the feed lots during the fall of 1953 were purchased at substantially lower prices and the hog market has been good. While it is true that many cattle growers and feeders experienced substantial losses in 1953, cattle are now on a lower price level and conditions are favorable for profitable feeding operations. We base this opinion on the belief that the Administration will continue to support the price of agricultural products resulting in satisfactory prices for cattle, hogs, and grain.


R. R. Brubacher

While it is quite possible there may be some let down in business activity in the territory, we feel that it will not be serious and if the growing season in 1954 is normal, resulting in our usual average crops, then it is our opinion that economic conditions here will not be subject to the fluctuations which may occur in more highly industrialized localities.

In summing up the situation, while 1954 may not be as good a year as some years in the past, nevertheless we feel it will be satisfactory.

E. F. BULLARD

President, Stanolind Oil & Gas Co.

Another good year is in store for the petroleum industry in 1954.

With demand for petroleum products continuing its steadily upward trend, domestic production should be slightly higher, and the industry will probably drill about 1,000 more wells than in 1953, its previous record drilling year.

This is an optimistic outlook for 1954 in the petroleum industry, especially in view of some of the more pessimistic views that have been expressed in recent months. However, we see nothing to indicate a decline in oil activity.


E. F. Bullard

The oil industry is basically sound and healthy, and continued aggressive activity on the part of domestic producers will maintain this condition. The price rise that occurred last year provided a much-needed incentive to more active wildcatting campaigns, thus arresting a slightly downward trend.

Imports will probably continue to show further gains, over and above the 11% increase that occurred in 1953. I believe the importing companies should take positive action to limit their imports of crude and products, as we have reached the point where imports seriously affect domestic production. This is a situation that the importing companies can handle themselves, without the necessity of Federal intervention. The fact that we now have a reserve producing capacity of almost 1.7 million barrels daily in the United States makes it even less important that a high level of imports be maintained.

The chief area of development in the oil industry in 1954 should be in the field of petrochemicals. It is a field that has been growing at a fantastic rate, and there seems to be no limit to its potential. The list of new products is seemingly endless.

In petrochemicals, as in every other branch of the petroleum industry, research will continue to be the keystone of progress. The many significant developments of the past few years have broadened the industry's base to the point where it is now a tremendously vital factor in the American economy. No one can predict the range of further developments that is bound to come about as a result of the industry's comprehensive research program. These will strengthen the industry picture considerably.

By its vigorous and enthusiastic nature, the petroleum industry assures itself a successful future. I am optimistic, not only about 1954, but about the entire foreseeable future. There will of course be some minor problems requiring adjustment, but the overall situation is good, and I see nothing to stop the industry's progress.

JOHN J. BURKE

President, Metals Bank & Trust Co., Butte, Mont.

As the trend in business activity seems to point downward, it is my opinion that the year 1954 will not be as good as that of 1953. It appears that we are going through an adjustment period which might not level out for another year and it might result in some dislocations at particular points due mostly to the reduction of military expenditures. Tax reductions in prospect will give some relief to individuals and business and provide some additional purchasing power, small though it might be. Relatively high level of income should provide a good sales volume, although lower than the previous year.

The volume of sales will govern employment, which will also be subject to change. Some lines of business will be affected by price adjustments, which will necessitate bringing about changes in operation in order to keep costs in line. All corporations are pinned on a cross of high operating costs and in many cases it will not take much of a change in price or volume to seriously affect net earnings. With large deposits which must be kept employed banking may experience a change in interest rates, which, of course, are based on demand. It seems that the government will be faced with some additional deficit financing, which would add to inflation. Because it is an election year, business will be subject to the political tides.

G. B. BURRUS

President, Peoples Drug Stores, Inc.

Because of general economic changes throughout the Nation, the Year of 1953 was one of readjustment for the Chain Drug Store Industry.

Sales showed a small increase for the year, most of which came in the first six months. Merchandise was in ample supply. Inventories reached a new high, due in part to the introduction of new products and the duplication of existing items by the Manufacturers.


G. B. Burrus

Since the end of hostilities in Korea, there has been a trend toward stabilized employment.

If the present trend of business continues, it will be difficult to equal the record sales volume during the first six months of last year.

Because of a larger number of retail outlets with record high inventories—due to availability of merchandise—there will be greater competition for the consumer's dollar.

The cost of doing business is expected to continue to increase. The accelerated Federal Income Tax payments in the first half of 1954 will necessitate a larger amount of cash for working capital.

The challenge in 1954 will require greater emphasis on aggressive advertising and sales effort, efficient distribution of merchandise, simplified operation, better selection and training of personnel, and improved service to the customer.

J. H. CARMICHAEL

President, Capital Airlines

Capital Airlines has forecast an increase in traffic volume for the year 1954 over 1953. Air traffic, however, will naturally react to any change in general economic conditions. Normal growth trends of the air transportation industry should largely offset and take up part of any decline that may occur, enabling the airlines to follow the historic pattern of yearly improvements in revenues.


James H. Carmichael

Passenger traffic has shown substantial increases during the past years as the acceptance of the transport plane as a safe, convenient and comfortable mode of transportation becomes more widespread. During 1953, Capital created over $40,000,000 in total revenues, an increase of 12% over the previous year, or a 134% increase during the past five years.

A factor in this growth has been the aggressive merchandising of Capital's growing fleet of luxury Constellation equipment. Also, the Aircoach, which Capital Airlines introduced and pioneered on the scheduled airline scene in 1948, has contributed to this growth. Because of the appeal of its low fare, often equal to rail coach fares, travelers who normally used lower cost surface travel have utilized the Aircoach to a degree never anticipated during its early stages of development.

Another interesting development has been its carriage of first-class mail by air. The Post Office Department has indicated that the experiment in the transportation of first-class mail by air between New York and Chicago and between Washington and Chicago may be expanded to include other areas. It is quite possible that this step will augment mail revenues now earned by the airlines, although mail revenues represent but a fraction of overall revenues. Capital, one of four air carriers participating in the first-class mail experiment, operates free of any element of subsidy.

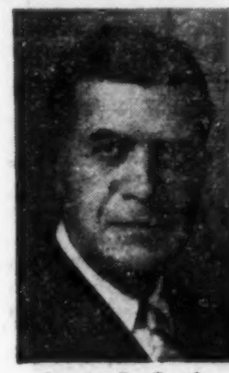
In general, it can be expected that 1954 will record a continued expansion and growth of the air transport industry. Revenues will be higher than in 1953 and passenger traffic will show gains. Mounting costs of doing business common to all segments of business and industry, may hold net profits to their present levels despite these gains.

LEWIS G. CASTLE

President, Northern Minnesota National Bank of Duluth, Minn.

Duluth and northeastern Minnesota look forward with high anticipation to a banner year during 1954.

We are being favored in this area by the investment of substantial sums of money which will perhaps approach the sum of one billion dollars for the development of taconite ore. This program of mining expansion includes the construction of railroads, townsites, mills, docks, power plants and many other things that are related to such a project. It will mean steady employment, and results cannot help but stabilize the economy of the entire northeastern part of our state.


Lewis G. Castle

The opening of International Refineries, Inc., at Wrenshall, which is adjacent to Duluth, opens possibilities of greater consumption of the crude oil which comes to us through the pipeline from Edmonton, Alberta. It is felt by many that this refinery will perhaps double its capacity within the near future, and there is strong likelihood of a chemical plant being erected adjacent to the refinery operation.

There is considerable discussion at the moment of bringing in natural gas from the petroleum fields of the West, but this development is merely in the early stages of consideration.

The timber industry, together with wholesaling and manufacturing, continue to be a basic part of our industrial economy in and adjacent to Duluth, and these factors, together with those mentioned briefly above, should develop a feeling of strong confidence in our own area.

GORDON H. CHAMBERS

President, Foote Mineral Co.

The management of Foote Mineral Company expects substantially better sales volume and better profits in 1954 than in any previous year. We anticipate that our sales to the steel and other metallurgical industries will be slightly lower next year because of a general slackening in these industries. We have introduced several new and improved products in the metallurgical market, and these should partially offset the anticipated decline in our sales of standard products to the steel and related industries.


Gordon H. Chambers

During 1953 construction of new and larger lithium mining and refining facilities dominated the news about the Foote Mineral Co. These facilities are now operating, and will account for most of the anticipated increase in 1954 sales volume. The lithium industry was unable to supply all of the demands for lithium products during the past year, and, therefore, the market in 1954 should absorb most of our increased capacity. The principal uses for lithium chemicals are in lubricating grease, glass, enamel, and other types of ceramics, certain types of storage batteries, welding of aluminum, and in several other fields.

Our Company expects to continue its construction and expansion program during 1954.

C. P. CONRAD

President, Iowa-Illinois Gas & Electric Co.

General. The level of business in western Illinois and eastern Iowa is directly dependent on the income of the farmers. At present, the outlook is for stabilization of agricultural prices in 1954 at approximately their present levels. This means that the buying power of retail customers will be lower than in recent years.


C. P. Conrad

Farm Implement Manufacturing. The leading industry of the principal metropolitan area of this district—Davenport, Rock Island, Moline and East Moline — farm implement manufacturing, has established production schedules for 1954 materially lower than the schedules for recent years. As 1954 opens, there is little expectation that sales to farmers can be pushed back up to the high levels of the years 1946-1952. Farmers have been stocking up with all kinds of implements bought freely out of the liberal returns from farm production in these years. Employment in the farm-implement industry is down approximately 20%. Many of these employees came to the Quad-City factories from surrounding communities and the reduction of employment will therefore affect all such communities.

Aluminum Sheet and Plate. The large Davenport Works of the Aluminum Company of America—a sheet and plate mill—is continuing its expansion. The most recent addition is a tapered-plate mill for the production of special shapes for military airplane wings. Present plans are for full production from this new unit throughout 1954. The Aluminum Company of America may initiate the construction of further additions to its Davenport Works in 1954.

Housing. The number of new houses expected to be

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started in 1954 is considerably below the starts in 1953. A rental housing project of 654 homes in Davenport has met present and prospective requirements for the immediately foreseeable demand, based on the falling trend of employment.

Public Utilities. The Iowa-Illinois Gas and Electric Company has projected construction in 1954 of about $10 million essentially equal to the value of construction carried out in 1953. These are long-range projects not affected by the immediate prospects for lower activity in the year 1954.

W. H. COLVIN

President, Crucible Steel Co. of America

The alloy and specialty steel business has been in a downward trend as to incoming new orders since last May. From the end of the steel strike in 1952 until May, customers bought steel both for current consumption and to replace exhausted stocks. They overdid it and since then they have been planning to reduce stocks and lately actively reducing them sharply. There is a modest slowing down in the demand for finished hard goods generally which indicates that customers' steel inventories can be further reduced and safely.

W. H. Colvin

We think this trend will continue through the third quarter of 1954 whereupon we expect demand to expand and to again come up to current consumption needs.

GEORGE H. COPPERS

President, National Biscuit Company

The Biscuit and Cracker segment of the Baking Industry should enjoy a high level of sales volume in the year 1954, possibly exceeding that of 1953.

The continuing increase in population in our country and the high level of disposable income which we feel will be generally maintained throughout the year are favorable factors for our industry.

Geo. H. Coppers

The Biscuit and Cracker Industry has been aggressive in developing new products and improving its processes and the packing of its older well-known brands.

Substantial capital expenditures have been made over the last eight years for new equipment and for new plants or the modernization of established plants and, while the plant of the industry as a whole has been fairly well modernized, further substantial expenditures will continue to be made in 1954 for capital improvements.

Aggressive competition will continue to prevail in our industry, as it has since the end of World War II. We believe this is a healthy condition which will cause each company within the industry to be aggressive and resourceful in finding ways to profitably tap a vast market for its products which is now present in the country.

Business as a whole should be very satisfactory in 1954. Certainly the economic system in our country is sound and we would be short-sighted if we were not optimistic about the future. Any recession or readjustment should be short-lived. I feel that once such readjustments have been made our country will be in a position to enjoy a long period of healthy and sound prosperity. The great technological advances now evident cannot be retarded or stopped.

National Biscuit Company, through organizational training and development, research and modernization, is prepared to compete in the buyers' markets of the future. I look for our company to enjoy good sales and profits in the year 1954.

CHARLES P. CRANE

President, Consolidated Gas Electric Light & Power Company of Baltimore

The volume sales of electricity and gas during 1953, in the area supplied by our company, were the largest in our history. Kilowatthour sales of electricity were almost 8% greater than in 1952 while cubic foot sales of gas were 16% higher than the preceding year.

Charles P. Crane

These sales reflect the sustained high level of industrial and commercial activity throughout most of 1953, but there were indications in the two latter months of a slackening in the rising trend.

During this same 12-month period our company also achieved its highest records in new load growth. Service contracts to supply new electric and gas installations in industrial plants and commercial establishments were greater than for any previous year. A substantial portion of these contracts are for installations still under construction, so that our sales of electricity and gas in 1954 will reflect the larger requirements occasioned by these load increments. An analysis of the negotiations now in progress with our industrial and commercial customers indicates that new load growth in 1954 will be very substantial although it may not quite measure up to the record breaking level of the past year.

Residential construction in our territory also approached the record level in 1953 and while builders and real estate developers foresee some slight dip during 1954, new home building is expected to be not less than 90% of last year's figure. The average electric consumption per residential customer increased 6% in 1953 and the average residential gas consumption increased 11%. The latter figure reflects the rapidly expanding usage of gas for house heating. Last year, 97.5% of the new homes built within reach of our service mains installed gas for house heating.

Our company is continuing with its expansion program to keep pace with the increasing electric and gas requirements. During 1953 we placed in operation a new 75,000-kilowatt generator, and work is now under way on our new Herbert A. Wagner Station where the initial generating unit will have a capacity of 125,000 kilowatts. This unit is scheduled for operation in the early part of 1956. Natural gas was brought into our area in 1950 and our distribution system is continually being extended to adequately serve the heavily increased demands resulting from sales to residential, commercial and industrial users.

The indications for 1954 are that good business conditions will prevail in this area and we are confident that growth of our electric and gas business will be maintained at a satisfactory level.

HARLOW H. CURTICE

President, General Motors Corporation

I am confident that the automobile industry, and in particular General Motors, will find 1954 to be another good business year.

Although they were proved wrong in 1953, we find prophets of doubt still with us. In my opinion, they are mistaken about 1954 just as they were mistaken about 1953. No depression is in my vision. It is my belief that the national economy, including the automotive industry, will be strong and healthy throughout the year. These are the reasons why:

Harlow H. Curtice

Although our prosperity is certainly not dependent on a continuance of high defense expenditures, nevertheless, defense outlays must be given consideration. They will be reduced very little in 1954. I estimate that total government expenditures, including state and local, will be maintained at about the current rate.

New housing starts should exceed a million again this year. Commercial building will continue at a high level.

Elimination of the excess profits tax will make additional funds available to industry for capital investment in the form of modernization and expansion of facilities.

I think the present high level of employment will continue throughout 1954. There won't be as much overtime as last year, but we should have full employment at a normal work week.

Consumer expenditures should continue substantially at present high levels as a result of well-sustained incomes and lower taxes.

All of these facts point to a prosperous 1954 for the automotive industry and for business in general. The forces of competition will be strong. But our industry, as well as American industry generally, has always thrived on competition.

We in General Motors are prepared for competition. We are offering products which we believe represent outstanding progress and the greatest values ever offered by General Motors to its customers.

If my appraisal of the over-all economic picture is correct, then General Motors' volume of sales in physical and dollar terms in 1954 should not be far from the high level attained in 1953, when our U. S. and Canadian plants produced almost 3,000,000 passenger cars and more than 500,000 trucks, and total dollar sales exceeded by a substantial amount the nine billion dollars which I forecast in January, 1953.

As for the industry, I estimate that the domestic market should absorb in the area of 6 million, 300 thousand passenger cars and trucks this year. Unit production, including Canada and for export to other markets, should approximate 7 million cars and trucks.

There is one danger we must guard against—and that is psychological. If those who persist in taking a pessimistic view of the future succeed in planting fear in the minds of the public, those seeds of fear could take root and the result might be the very condition we seek to avoid.

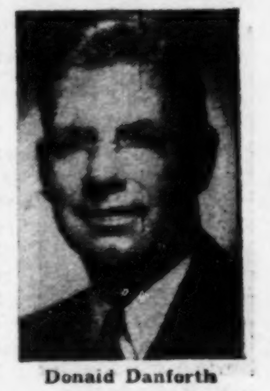
Those who see recurrent shadows of depression and recession falling across the nation's path of progress must take heart. With a favorable economic climate, an enterprise system unhampered by controls, and a people eager to work for an improved standard of living, the responsibility rests with industry and business to keep the economy strong and, over the year, keep it expanding.

That is the challenge that faces us today. As far as General Motors is concerned, we accept it.

DONALD DANFORTH

President, Ralston Purina Co.

The year just ended saw a continuation of the trend toward concentration in agriculture. In other words, large commercial operators were producing a higher percentage of the nation's milk, meat and eggs than ever before. This has resulted in more efficient production and a greater demand for the services of the feed industry.



Donald Danforth

Much publicity has been given to declining farm income. This is true—but crop farmers have been hurt more than livestock and poultry producers. Feeding ratios have remained generally good. The exception has been the cattle industry, which has suffered from a double blow this past year—low prices and a severe drought in much of the range country. The Ralston Purina Co. has continued an aggressive expansion policy. During the past year new production plants were completed at Spokane,, Washington, and Shreveport, La. In addition, construction has been started on new plants at Wilson, N. C. and Gainesville, Ga. Today 42 Purina Mills checkerboard the country, stretching from the Atlantic to the Pacific and from Canada to the Gulf.

Research in nutrition and scientific feeding has made great strides. Our company is continuing to expand in research. In addition to our large laboratory in St. Louis, laboratories are maintained at all manufacturing plants. Research farms are located at Grey Summit, Mo., and at Nashua, N. H. A major research unit was installed this past year at Graceville, Fla.—to sudy the feeding and management of hens in individual cages—which is a method of producing premium quality eggs which is becoming a large industry in the South. New discoveries in the fields of antibiotics, vitamins, amino acids and minerals have resulted in more efficent production of meat, milk and eggs and a greater reliance upon scientific formula feeds.

With an estimated population increase of 2½ million a year, and with continued high employment, an increasing demand for meat, milk and eggs seems certain. Consequently, we approach 1954 with a feeling of optimism.

EDWARD W. DAVID

President, The Charles E. Hires Co.

During 1953 the soft drink industry has demonstrated again its capacity for continued growth. With the removal of price controls aggressive merchandising became the order of the day. Prices began to rise to offset the higher costs of materials and labor, although in some sections of the country, notably the deep south, there was little or no relief due to the keen competition for business.

Edward W. David

There has also been a trend toward increasing the deposits charged for bottles, cases and cartons because of the increased costs of these package materials. This protects the bottler from an excessive loss if they are not returned, and at the same time gives greater incentive to the consumer to return the bottles and cartons promptly.

Soft drinks in cans made their appearance during the year, following the example of beer. Dealers welcome this innovation as it means for them the elimination of handling the return of empty bottles. To the consumer, however, it means increased costs and the consumer will be the final judge of the merits of the two containers.

Soft drinks made without sugar also came into the market in increasing quantities for the use of persons afflicted with diabetes or other ailments which preclude the consumption of sugar.

There has also been a great increase in soft drink sales through the wider use of automatic dispensers, particularly the cup dispensers.

All of these factors point toward continued expansion of the soft drink industry.

The fact that the Department of Agriculture has followed the same practice as the previous administration in setting quotas on sugar for 1954 substantially below the consumption of last year is disappointing. The soft drink industry and other large consumers of sugar have protested this practice to no avail. By the restriction of imports, in spite of surplus sugar stocks in the world, an artificial shortage is created and prices in the United States have been from 1½ cents to 2 cents per pound higher than in the world market. In effect, this policy subsidizes the producers of sugar at the expense of the consumers.

There is talk in some circles, notably in the heavy industries, that sales in 1954 may decline somewhat. The soft drink industry, based on past experience, has been affected very little during previous readjustment periods. This is no doubt due to its nominal cost and wide-spread appeal to the consumer. For this reason it seems likely that the growth trend of the soft drink industry will continue throughout 1954.

BYRON DUNN

President, National Bank of Commerce, Lincoln, Neb.

The outlook in the field of banking for 1954 is tied into every other business of the country. In the midwest banking is tied into agriculture and what is done for agriculture on a national scale as well as tied in with the gamble on the weather. At this moment, knowing as little as we do about both phases, agriculture looks good. The middle west has had good fall rains, which, if continued through the spring and summer will bring us good crops. And the story that trickles out of Washington leads us to believe agriculture is going to be recognized as a grown-up industry that will be given the opportunity to carry on in spite of the loss of the younger generation to agriculture. The industry is being carried on by older men in the majority of this section. The bringing in of some commercial industry and the location of air force installations through the middle west agricultural district is helping keep some of the younger men on the farms as they can work part time in industry.

Byron Dunn

The drive put on by Roger Babson and the Magic Circle Board of Directors during the last 10 years has done a lot to bring industry to the mid-west. This is good for the banking business and the entire country as well as for agriculture as it furnishes good living conditions for the factory workers who move to this section of the country. If we should have an atomic attack, the entire world would look towards the small factories distributed over a wide area carrying on the manufacturing processes needed to make living possible.

The continuation of the Magic Circle industrial association is assured. It will lead the way and show the entire United States what can be done out here in the mid-west where we raise the food to eat and the boys and girls who do the work.

We think there will be a slight decline in activity and on the up-swing of businesses, but businesses and banks have been preparing for this decline.

I am sure 1954 will be good to everyone who has planned ahead and who works hard to make it good.

CYRUS S. EATON

Chairman of the Board, Chesapeake & Ohio Railway

Throughout its long and successful history, the Chesapeake and Ohio Railway has been dedicated to the prosperity of the coal industry. Walter J. Tuohy, the C. & O.'s able young President, came to the railroad from the coal industry and he understands the problems as well as any man in America.

Cyrus S. Eaton

America's number one fuel supply is coal. In this era of evident economic strength and expansion, the nation is fortunate to be generously endowed with great native resources of coal. The industry's efforts must be united to assure the maximum development of these resources. The pathway to progress lies in active, constructive and cordial cooperation among the essential elements of the industry — the operators, labor and transportation.

The C. & O. will continue to do its utmost to encourage sound policies for the development of profitable new markets for coal.

THOMAS W. EADIE

President, The Bell Telephone Co. of Canada

Industrial activity, employment and personal income again reached high levels in Canada in 1953. On an overall basis, we may expect the maintenance of these conditions in 1954, although difficulties for individual industries and areas may be caused by the return of more competitive conditions and by the surplus stocks of agricultural products.

Thomas W. Eadie

The demand for telephone service in 1953 in the territory in which we operate—Ontario and Quebec—was the greatest we have ever experienced. A record 150,000 telephones was added, bringing the total number in service to well over 2,120,000. The demand on long distance facilities ran steadily ahead of the previous year. We now average 250,000 long distance calls and 13,000,000 local calls daily. New construction expenditures for local and toll equipment in 1953 amounted to $86,000,000, bringing the total plant investment to over $725,000,000. More than 80% of our telephones are now dial-operated, a higher figure than for either Canada as a whole or the United States. The demand for Bell teletype service continues strong.

Last summer saw the opening of our microwave radio relay chain, linking Montreal, Ottawa and Toronto, the vital triangle of Canadian long distance traffic. Under contract to the Canadian Broadcasting Corporation we are also carrying television programs along the same route, which is also connected with the United States networks at Buffalo. A radio relay link between Montreal and Quebec City is under construction. A chain between Toronto and Winnipeg, and another to link the Maritime provinces with central Canada, are under active study.

The "Bell and Lights" air raid warning system, which uses telephone lines and equipment to spread instantly both preliminary and urgent warnings from civil defense control centres, was given successful first Canadian tests in Hamilton, Ontario, during 1953.

The total of our employees increased and now numbers some 31,000. Pay increases were granted in the spring of 1953 and as a result the payroll which was $85,000,000 for 1952 has risen to about $93,000,000. Higher productivity, however, has reduced the number of employees per 1,000 telephones.

Our record-breaking stock issue in the fall of 1953 was the largest offering ever made by a Canadian company to Canadian investors. It was more than 99% subscribed and produced $60,500,000. Together with the sale of $40,000,000 of bonds earlier in the year, this financing project brought the total capital of the company to over $600,000,000—an increase of more than $420,000,000 during the past eight years.

There are now 115,000 Bell Telephone Company of Canada shareholders, the largest number of shareholders in any Canadian company. Some 98% live in Canada, and close to 10,000 are employees or pensioners of the company.

We expect that the demand for both local and long distance service will be sustained at a high level in 1954, and we estimate that our outlays to expand and improve our facilities will exceed $100,000,000 in the year to come.

More evidence has appeared recently to support the view that government defense expenditures in Canada will be maintained at close to the current annual rate of just over $2 billion in the fiscal year beginning April 1, 1954. There are indications that investment expenditures will be maintained on a substantial scale in the development of metals, chemicals, oil, natural gas, electric power, telephones and transportation equipment. The continued rate of family formation suggests a sustained demand for new homes.

Such a combination of factors would help sustain personal expenditures on consumer goods and services. Thus the index of industrial activity in this company's territory might continue at about the current level of 125 in 1954.

GEORGE S. ECCLES

President, First Security Bank of Utah, Ogden, Utah

Present business indexes do not support the general prediction of a business downturn. I think this is true because of the extremely high levels that have been reached during the past year. There are many economic weaknesses in our economy and it is important that everything possible be done to prevent the accumulation of these weaknesses and maladjustments from developing into a genuine recession.

George S. Eccles

Some of the factors that could yield to a decline in business activity may be enumerated—

(1) Inventory readjustment. The recent rise in inventories has been greater than expected. A leveling off is inevitable.

(2) Decline in plant and equipment expenditures. These expenditures have reached new highs and a 10% decline would not be out of line.

(3) Leveling out and possible cutback in national security expenditures. This reached an all-time high for peace time expenditures during the second quarter of last year-end and a decline is evident.

(4) Consumer outlays. These expenditures have been on a steadily increasing trend and even a reduction back to the volume that existed in the early part of 1953 would be felt.

Some of the offsetting factors—

(1) Easier money market in general both for consumer and mortgage financing.

(2) Reduction in taxes both corporate and individual thus releasing purchasing power.

(3) Some price reductions in durable and soft goods due to more competition and increased efficiency in production.

(4) Continued increase in population with the accompanying increase in demands. Bigger outlays by local governments as increase in population boosts the demands for schools, roads and other community facilities.

(5) Other factors in our economy which tend to hold up purchasing power: (a) unemployment compensation; (b) pensions; (c) farm support prices; (d) large backlog of savings owned by the American public.

Nineteen fifty-four should be a good year, but there will be some leveling off and some real decline felt in segments of our economy. We should not let a readjustment stampede us into a real downturn, as I do not think a depression is inevitable or necessary.

CRAWFORD H. ELLIS

President, Pan-American Life Insurance Co.

I am of the belief that conditions for 1954 will be just as good as they were in 1953. In fact, there will be more confidence displayed. Everyone was so pessimistic in the latter part of the year 1953 that it looked for a time as though we were trying to bring on a recession. The corporations in this country are all in good financial shape as well as the banking institutions. The wage earners are all making good money and they are going to have what they want.

Crawford H. Ellis

The life insurance business should have a prosperous year as the companies are now issuing so many different forms of protection that almost anything in the world can be provided for. In fact, if it were not for the life insurance companies with their varied forms of policies, I do not see how any young couple starting out in life could manage to create an estate at all or educate their children. The educational policy which is now being issued by all companies is a wonderful thing, as it provides a fund to educate the children at a most important age. In the event of the death of the child, the money which has been paid in by the father and mother is refunded which protects them from any loss of benefits.

Life insurance is today's answer for a family to provide adequately for any and all contingencies at a reasonable cost.

L. J. FAGEOL

President, The Twin Coach Co.

The Twin Coach Company operates in three distinctly different industries: (1) Motor Trucks; (2) Aircraft; (3) Buses.

In each of these fields, we are looking forward to 1954 with optimism and confidence.

It is our belief that the new year will see a general quickening of competition throughout all industry. To meet this, we plan to introduce a number of new and improved products, particularly in our Kent, Ohio, motor truck division. These will include a new truck cab for tractor-trailer use. In this, the engine will be located between the driver's and helper's seats, thus greatly reducing the amount of cab and engine compartment space and making more of the overall truck length available for payload.

L. J. Fageol

Our Fageol Van high payload capacity truck line is also being refined and a number of important improvements are being built into these vehicles. Vans are now sold by all International Harvester dealers and branches. The 1954 Van sales and advertising program will be the most extensive that we have ever undertaken.

While the government will effect some cutbacks in aircraft production, we anticipate continuance of high volume in the Buffalo division of our company. The aircraft industry, as a whole, is constantly expanding. We have great faith in its future.

It is our opinion that bus production in 1954 will be greater than 1953. Normal replacements of city type vehicles alone should provide a ready market for approximately 3,500 buses in 1954 as compared with only 2,532 built in 1953.

Recently many transit companies, throughout the country, have been able to secure satisfactory fare adjustments and show substantial gains in revenue. This will naturally lead to added purchases of new equipment.

We believe that 1954 will see considerable expansion in the use of propane as a motor bus fuel. Introduced by Twin Coach in our coaches late in 1950, this fuel has made possible tremendous operating economies in such cities as San Antonio, Fort Wayne, Chicago and Wichita. Its low cost, freedom from smoke and obnoxious odors and overall efficiency make it ideal for transit use.

STUART M. FINLAYSON

President, Canadian Marconi Co.

Looking forward into 1954, the Canadian business scene makes an interesting picture and poses what appear to be some decisive challenges to industry.

During 1953, the Canadian economy as a whole has been operating at a very high level. In part, at least, this condition appears to have been brought about about by reductions, early in the year, in income and other taxes, which, in particular, stimulated considerably the demand for consumer goods. However, there seems to be little doubt that during 1954 Canadian business generally will become increasingly complex and competitive and it may well be that, in certain areas or industries, it will be impossible to match the volumes and profits achieved in 1953. Despite these conditions, there does not seem to be any reason why Canadian business should not continue to progress and develop and it is felt that, on the whole, 1954 should be a good year for efficiently-operated business.

S. M. Finlayson

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A satisfactory market throughout the year seems to be indicated for the electronic industry and the licensing of many new television stations will provide a continuously-broadening market, geographically and otherwise, for television receivers.

Factors such as these, plus the very considerable expansion in the development of our fundamental resources and the steady increase in Canada's population create a basis for confidence in the business outlook.

FRANK M. FOLSOM

President, Radio Corporation of America

American merchandising reached a significant turning point in 1953, presenting new challenges and opportunities for the coming year—a year that can be good for business.

Frank M. Folsom

The new trend in merchandising represents a closer approach to normal business operations. The 14-year old sellers' market is gone. Many industries are now adjusting their operations to meet the demands of a buyers' market. Careful planning and hard work are needed to maintain the sales volume developed during the years that business enjoyed a sellers' market.

The changed market condition requires evaluation by business leaders, not only along economic lines, but in over-all strategy of operations. Recognizing these needs, RCA is charting a positive course of action to maintain relatively high volume in production and sales during 1954.

Major Steps Being Taken

Among major steps being taken to achieve this aim are:

(1) Reshaping of productive capacity to meet changed merchandising trends and to increase efficiency so that values of products may be enhanced for the consumer.

(2) Streamlining of operations and selling organizations.

(3) Establishment of closer teamwork between retailers, wholesalers and manufacturers.

(4) Strengthening of distribution system so that consumer demands in certain areas can be more readily met by wholesale outlets nearer to dealers.

(5) More assistance to dealers in building effective sales staffs.

Abundant Sales Opportunities

The growing importance of the radio-television industry in the progress of America was demonstrated convincingly in 1953. New dimensions of television and sound, in particular, and the continuing electronic requirements of government and military services, provided major areas of development and production.

The industry reached an annual going rate estimated at nearly $8 billion and 1953 proved an excellent year for RCA, with sales of products and services attaining an all-time high volume, well over the $800 million mark. RCA's dollar backlog of government orders at year-end was the largest in the company's history, exceeding by a considerable margin that of the World War II period.

Abundant sales opportunities are ahead in such fields as black-and-white television, compatible color television, industrial TV, transistors, high fidelity phonograph instruments and records, office and home communications systems, radio sets, and electronic equipment for industry and military uses, as well as the older lines of communications apparatus.

Television—Black-and-White and Color

RCA expects sales of black-and-white television sets to continue in the millions, during the orderly introduction of compatible color television in 1954, and plans to accelerate promotional activities to achieve this. The importance to the public of compatibility in television cannot be overemphasized. It means that color programs can be received in black-and-white on all existing sets, at no additional cost to set owners, and without added devices. Color sets can also receive black-and-white programs in black-and-white.

RCA commercial planning for color TV made substantial progress in 1953. Production schedules were mapped to provide more than 30 stations with necessary equipment to broadcast network-originated color programs in key cities by the end of 1953. Pilot production of color components—including the RCA tri-color-tube—was underway. Pilot production of RCA Victor compatible color receivers was begun.

Additional Sales Potentials

The phonograph and record industry is expected to continue its impressive growth in 1954 with a 10% rise in record sales—on top of a 12% increase in 1953, expected to push industry volume past the $250 million mark.

The chief factors in the increase of record sales are notable improvements in both the making of records and their presentation to the public, the introduction of high fidelity sound recording and reproduction highlighting the advances.

Sales of radio sets—the "hardy perennial" of home entertainment—continued good in 1953 with industry production of nearly 13 million new sets establishing an all-time high of 115 million radios now in use in America.

A new magnetic sound tape recorder, developed by RCA for non-professional use, is proving attractive to customers, and other new products, including RCA home air-conditioners and RCA Estate Ranges are establishing themselves in the market.

WIRT FRANKLIN

Oil Producer, Ardmore, Okla.

The year 1954 promises to be an extremely critical one for the domestic oil-producing industry.

Several factors, as evidenced by progressively serious problems in recent months, will be of vital importance in determining the industry's health in 1954. All of these factors revolve around that return on capital which is essential to an expansion which will enable the induustry to keep pace with the nation's growing military and economic needs. Chief factors in maintaining such a return in 1954 are market outlet, price and the tax picture.

Wirt Franklin

The most important, and perhaps most susceptible of these factors, is that of market outlet. The trend in 1953 offers little encouragement. Foreign oil imports, in 1953, when figures are finally compiled, will have averaged close to 1,050,000 barrels per day, an all-time high. This rate of importation is about 10% higher than the 1952 rate and is a rate of increase more than three times higher than the rate of increase in domestic production. Thus, in 1953, foreign oil absorbed the lion's share of the nation's expanding markets. By the end of 1953, oil inventories were approximately 50,000,000 barrels higher than a year before. As the industry looks forward to 1954, the world is in a state of serious oversupply, and, in addition, must anticipate the return of Iranian oil.

The domestic producer, then, is not optimistic as he views market outlet in 1954. He must have markets, if he is to have income for expansion to meet defense goals. Above all, he needs to be able to do sustained planning, impossible in the current situation. Finding and developing oil is a long-range operation, and the producer must be able to foresee reasonable stability.

A second factor is that of price. In 1953, the price of crude oil went up approximately 10.5%, the first such increase since 1947, and an increase which in no way kept pace with increases in his production costs over a similar period. Throughout 1953, costs continued to rise. A stable price structure, maintained in fair ratio to costs, is also a vital factor in 1954.

A third factor essential to the industry's health in 1954, is that of taxes. The industry has traditionally contributed more than its due share to governmental revenues. Nonetheless, depletion provisions of tax law, a major source of incentive to exploratory drilling, have been a continued target for irresponsible attack. In 1954, the industry must intensify its efforts to achieve public recognition of the essentiality, in the national interest, of such tax provisions.

It is coincidental that the product of the domestic oil-producing industry is directly related to the nation's military security, but it is nonetheless one of the important facts of our times. In an era of machine warfare, the source of fuels and lubricants for such machines will always be of vital importance. It is axiomatic that such sources should always be as close to home as possible; never in the orbit of the enemy. Trends toward Middle-Eastern oil in recent years are in special violation of that axiom. Continuation of such trends would result in a deterioration of the vast army of trained personnel so essential to the functioning of a strong domestic industry in wartime.

Also of importance is the harm that excessive foreign oil is causing domestic conservation programs. Many states have conservation laws requiring domestic producers to produce oil not in excess of reasonable market demand, to prevent wasteful above-ground storage. Excessive imports in 1953 have supplanted domestic oil in recent months and necessitated a cutback in domestic production by the conservation authorities of the oil producing states in an amount in excess of 500,000 bbls. per day, which seriously threatens the entire conservation program.

We are frequently told that the nation is "running out of oil." Predictions of this character have been made from time to time since 1908. Still, with one or two exceptions during World War II, the nation has discovered more new oil each year than it has consumed. Our proved domestic reserves are at an all-time high. The history of the Mid-Continent oil area offers a specific repudiation of these prophets of doom. The Williston Basin is a good example of the future potential.

In conclusion, it is obvious that excessive imports offer the most serious threat to the domestic oil-producing industry in 1954. Solution of this problem, therefore, is of the utmost importance in the new year. It is a must for 1954. National security demands that we must not become dependent upon foreign oil.

CHARLES E. FRENCH

President, Amsterdam Savings Bank, Amsterdam, N. Y.

The section of the country I am reporting on is in the Mohawk Valley in about the center of New York State. We are served by the New York Central and West Shore Railroads, the Barge Canal and the new New York State Thruway is a quarter of a mile South. Amsterdam is a carpet and rug center with the large plants of the Mohawk Carpet Company and the Bigelow Sanford Company. They make some of the finest floor coverings made in this country. Fifteen miles to the East is Schenectady with the great General Electric Company and the American Locomotive Company. To the Northwest of our 15 miles are Johnstown and Gloversville where there are several glove making companies and leather dressing firms. All of these cities have smaller manufacturing companies that make a diversification of articles. This whole section is manufacturing with quite a bit of farming to the North and South.

Charles E. French

The past year has been very good in spite of some labor troubles which always tend to hold back production. Most of the plants have been doing defense work which has started to slump off. Much tent cloth and coverings and many blankets were made in the Amsterdam plants. In Schenectady tanks were made by the American Locomotive Company and many other parts by the General Electric. We understand they both have a backlog of orders which will be of help in 1954. The tremendous building of homes which is going on should mean a good year for the carpet companies as all people sooner or later will want floor coverings. The General Electric Company is erecting new buildings and there is no limit to the expansion of this company with all its diversified products.

As a general proposition the people in this part of the state seem happy and contented. The Savings Banks have made large gains and there is a feeling that 1954 will be a good average year.

C. KENNETH FULLER

President, County Bank & Trust Co., Paterson, N. J.

Since the outlook for the Banking Industry in this area is almost entirely dependent on the outlook for industry and trade in the service area of Northern New Jersey, our comments will be limited primarily to a brief discussion of the general economic outlook for the area.

C. Kenneth Fuller

Except for the depressed condition in the textile industry, 1953 has been a year of high over-all production, high employment, good profits, and good volume of retail trade. We start the new year, therefore, at a relatively high level even though activity is already below the peak of the past year, overtime pay is reduced or eliminated, and unemployment has definitely increased.

The large employers of labor in the area are in textiles and the allied trades, miscellaneous machine tool and airplane engine manufacturers, television, communication equipment, chemical, and the industrial rubber, can and paper industries indicating a greatly improved degree of diversification.

The textile industry opens the year with a low volume of orders, low profit margins, and relatively low employment. Nevertheless, with the exception of woolens, which seem to be experiencing special difficulties, we believe that the total volume of business for the year will approach, or may even exceed, that for 1953. This comment is based on the premise that inventories are in a good state of balance and that the demands of an expanding population of 160,000,000 people require the constant flow of new production. This doesn't necessarily mean that there will be an even distribution of the business, but merely that there will be business for the low-cost, efficient producer and aggressive merchandiser. With productive capacity in excess of demand, however, there will be negligible profits and some casualties among the less efficient.

For the most part, the machine tool industry is operating at a high level of activity with high employment and good profits, and with a good backlog of orders. The outlook is for a continuance of these favorable conditions, with the possible exception of the airplane engine manufacturers who are not in as favorable a position because of technical problems and defense contract cutbacks.

The television industry is temporarily in a transition period pending further development to color sets and some unemployment exists. This condition may continue for a number of months, although it is anticipated that an improvement is quite probable in the second half of the year.

Activity in the communication equipment field is at a high level with a favorable outlook for total volume and employment.

The chemical manufacturers who are dependent on the textile industry will probably continue to operate at presently reduced volume and profits, but by and large, the rest of the industry is very active and expanding.

Activity for the rubber goods manufacturers is spotty in the new equipment field but holding well on replacements.

With the settlement of the long strike in the can industry, and with volume in the metal container field likely to show some improvement in 1954, operations should be in full volume for some period of time.

The paper industry seems to be flourishing predicated as it is largely on consumer goods demands. With several large projects under way and in the offing, the outlook for construction in the area is excellent even though home building almost certainly will be in reduced volume.

With such an outlook for industrial activity, the volume of retail trade should hold relatively well and with a favorable inventory position, merchants should be able to take advantage of the lower prices when and as they are available.

In summary, if we are correct in assuming that our national economy is facing nothing worse than a recession of the severity of 1949 of some 10% in Gross National Product, then I feel that our area, which has already suffered from the rolling adjustment and a relatively serious recession in the textile industry, may wind up 1954 with results only slightly less favorable than the banner year of 1953.

The outlook for our Banking Industry, therefore, seems to indicate a stable deposit level with commercial loan demand somewhat reduced from the high levels which have prevailed. Demand may increase in the personal loan field, although there may be a temporary decline in appliance and automobile paper. The rate structure may ease somewhat, but operating costs should be relatively stable providing satisfactory profit margins.

Although a special degree of caution is necessary in any period of adjustment nevertheless, the Banks have a splendid opportunity to provide constructive service to our economy and our communities by keeping the credit sources of sound enterprises readily available and maintaining an open-minded and constructive attitude toward newer but promising opportunities.

B. C. GAMBLE

Chairman and President, Gamble-Skogmo, Inc.

We are not at all pessimistic about the sales outlook for 1954 and are confident that with hard work and by continuing to offer our customers good values that our sales can show an increase. It is true that during the late Fall months, consumers adopted a more conservative and cautious buying policy, and we can expect this to continue during the Spring season.

While there may be a decline in some of the heavy lines, as a result of a better balance between supply and demand, we feel there are many lines that will continue to expand in keeping with the continuing higher standards of living.

Business volume should continue at a relatively high rate with a highly competitive market prevailing. Cutbacks in Government and private expenditures may have some effect on sales but this could be easily offset in part by the reduced tax burden for the individual.

Consumers have been saving at the highest rate in history and it becomes a challenge to retailers to offer merchandise values, which will encourage them to reduce their present high rate of savings and increase their rate of buying.

There is plenty of money in the country, both in savings and in our consumers' regular high rate of income and there will be plenty of business, we feel, for those merchants who go after their share.

FREDERICK V. GEIER

President, The Cincinnati Milling Machine Co.

With much of their defense job completed, machine tool builders are spotlighting the excessive numbers of obsolete machine tools in use in American plants. A new survey reveals that 55% of the machines installed are 10 years old or older. With the postwar designed machines showing fully one-third greater productivity, replacement of over-age, obsolete machines is due. More than \$1,000,000 machine tools are in this obsolete class, and the production from these machines is costing over \$1 billion a year more than if the newest machines were doing the work.

Frederick V. Geier

Everyday examples of the more productive, newer designed machines brought out in recent years abound in every machining field. Among the more striking examples are the larger tracer-controlled milling machines, increasingly used in the milling of airframe structural member forgings. In surface broaching, the new machines combine rapid work-handling with reduced machining time based on effective usage of carbide insert tools. Automotive cylinder blocks are being broached at speeds up to 200-feet a minute.

There has been growing interest in the higher horsepower standard machines, again indicating the greater use of carbides. And in the field of precision grinding, there have been a number of developments designed to provide more automatic operation. Work handling, sizing, truing, compensation for size after truing, and counting, with a predetermined number of pieces before truing, are automatic features now being used on production grinding operations.

All these emphasize the productivity and cost advantages of the newer design machines, and the opportunity for large savings to those users who are installing the newest machines and methods.

Antiquated income tax regulations, fixing unrealistic and inadequate depreciation allowances, have been a road-block to more general modernization of productive equipment in industry. It is expected that the Administration in Washington is about ready to ask Congress to provide for a sounder provision for depreciation and obsolescence under tax regulations. If depreciation allowances are adequately revised, machine tool builders should experience a healthy demand for their product for some time to come.

WALTER B. GEROULD

President, A. G. Spalding & Bros. Inc.

The start of the new year is an appropriate time to inventory the past and project our plans for the future. The past year has in general been a good one for the Athletic Goods Industry, representing the first year of a cycle following the economic disturbance caused by Korea. Inventories were in good shape at the start of 1953 and appear to be in good balance now.

Walter B. Gerould

Nineteen fifty-four holds many opportunities. With the ever increasing participation in sports and the population growth, our industry has a healthy economic climate for further expansion. These opportunities may be realized through sound business operation and aggressive sales and promotional activities.

In the same way that the new year holds opportunities, it also presents many problems which fall in two categories — first, those beyond our control, such as world tensions with their direct affect on economics, the ever present taxes, etc., and second, the other group being those which can be controlled by us, such as the day-to-day problems that arise in any business organization.

An optimistic yet realistic approach to these opportunities and problems holds for each of us the best chance of making 1954 a year that we can later remember with the realization of accomplishment.

BERNARD F. GIMBEL

President, Gimbel Brothers

The business outlook for the first half of 1954 is, in my opinion, reasonably reassuring. After 15 consecutive quarters of expansion and inventory build-up, the general economy began to suffer a mild set-back in the third quarter of last year. However, if there is any further let-down in the offing, it will no doubt be kept under control for there seems to be no fundamental weakness in the economic structure.

Bernard F. Gimbel

In my opinion, the current decline is traceable in great degree to the caution of businessmen more than to any basic weakness in the economic structure of the country. The talk of recession which began in the early part of 1953 was, it seems to me, largely instrumental in creating the set-back we are now witnessing. On the other hand, this may have a very salutary effect and may be the basis for laying the foundations of a more prosperous economy in the near future. Apart from the temporary adverse effect of a shift in inventory policy, over-all demand during the first half of 1954 should be reasonably well sustained.

Selling, I believe, will undoubtedly become increasingly competitive, but the level of employment, savings bank balances, life insurance purchases and the increasing demand for United States savings bonds which are indicators of a strong economy, would seem to suggest that consumers will not shy away from the market place. If the present let-down in business continues into the spring of 1954, the activity of the last half of the year should be higher and, consequently 1954 as a whole, should be as prosperous, if not a trifle more so, than 1953.

We must not get into the frame of mind that looks upon every modest set-back as a major disaster. Our economy is strong enough and resilient enough to take both the peaks and the valleys in stride.

W. N. GREER

President, Citizens State Bank, Houston, Tex.

Will 1954 be as prosperous as 1953?

That truly is a debatable question, but in the Southwest there seem to be more reasons for optimism than for pessimism.

W. N. Greer

Seemingly undebatable is the fact that those, like the writer, who believe that this government is now in the hands of sound and loyal servers of the people and public officers whom the vast majority trust and respect, can but look forward to the coming year with confidence.

The reduction in taxes, together with the expectation that many of the Administration's policies will be enacted by Congress, strengthen the belief of vast numbers of business leaders that America need have little to fear from the slight slack and doubt that now exists.

Even if gross receipts fall slightly under those of 1953, inasmuch as the year we have just left behind was a record breaker in sales, a slight decrease in gross income, if met early by a pruning of expenditures where possible, could easily result in a 1954 total that, with tax relief assured, would closely parallel in net income the highs of 1953.

The business men of today, in the main, were either directing or assisting in the management of their industries in the early thirties and learned much about how to conduct their businesses in years which might call for caution, unceasing vigilance and untiring energy. The lessons they learned in the thirties will not soon be forgotten by the elder executives, or by those now serving with them.

Steel sales—and those of automobiles, household appliances and probably most luxury items—will be smaller for at least a few months. Employment, especially in the heavy goods industries and the railroads, will be off, but not alarmingly low. True, greater competition will prevail, but alert competition has done much to make America great.

While few in this area look forward to a decrease in sales, or income, the slight leveling off period that seems to have arrived, may prove of everlasting benefit to this nation's economy, and probably will prevent a much more serious situation if we Americans can be counted upon to heed now the warning that many forecasters have given us.

From what I have been able to gather from the varied predictions of the economists, none predict a depression, and most of them seem to hold to the theory that we shall have only a slight "readjustment" period of a few months which will not be too harmful to our economy.

The three hundred professional economists, in the much quoted meetings of the American Statistical Association held recently, predicted only a "mild recession" to be of short life. Many of those who were present thought that a drop in total income of not more than 5% would occur in the first part of 1954. Most of those predicting even such a moderate recession from 1953's highs, thought even such a decrease would still leave 1954 the second best year of our nation's history.

The Southwest is in excellent shape as far as industry is concerned, and the farmer and stockman are recovering from the set back they received because of the drought. Everything indicates a good year for the banking business.

Conditions in this area still look good and long ago we of the Southwest learned never to sell America short, even on those few occasions when the sun was temporarily hidden by a cloud that contained no rain.

JOSEPH GRIESEDIECK

President, Falstaff Brewing Corp.

For the brewing industry as a whole, the year ahead is promising in terms of growing sales.

It is unlikely that the upward trend in beer consumption will be retarded appreciably by any slight recession in the general economy that some economists are inclined to predict. It is even possible that such recession, if it occurs, may enhance the growing acceptance of beer as the beverage of moderation.

Joseph Griesedieck

But, most certainly, the real gains in sales will accrue to the companies geared for aggressive merchandising.

Competition for beer sales will be keener than ever before, with many majors in the field bidding for new markets with increased capacity and relocated productive facilities already in development. Members of the industry who have lagged in merchandising or who are not prepared to meet competition on quality may be in for a rude awakening.

Competition will be sharpened even more by the drive for sales volume to combat presently higher operating costs. Brought on principally by higher labor costs, together with higher sales and advertising appropriations necessitated by the already mounting competitive forces, operating costs dictate the need for as high or higher sales volume to maintain present profit structures.

Falstaff Brewing Corporation is optimistic in terms of its own continued high sales for 1954. Having pioneered in multiple plant operation almost since the close of Prohibition, and already entrenched for a year in the industry's bid for West Coast business, Falstaff enjoys a unique position within the industry.

A record year in both production and dollar sales for 1953 contributes to the company's optimism. Total production of Premium Quality Falstaff in the company's five plants in St. Louis, Omaha, New Orleans and San Jose, Cal., will show a barrelage increase of approximately 27% when 1953 figures are complete.

About half of this company-wide increase is attributed to Falstaff's new plant and sales operation on the West Coast, still leaving approximately a 13% increase in production for the four plants operating before the California territory was opened this past year.

Sales on the West Coast began only last March, giving Falstaff a sales territory stretching from coast to coast for the first time in history. Acceptance there of Premium Quality Falstaff from the start surpassed management's most optimistic expectations. Even with rapidly expanded capacity in the newly-acquired San Jose plant, production could not keep pace with demand during the first several months of operation. The production limit has prevented expansion of the sales territory beyond the northern half of California.

Company-wide production facilities were short of de-

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mand for many weeks during 1953, with Falstaff being distributed on a rationed basis even before the Milwaukee beer strike occurred.

In dollar sales, Falstaff at nine months was ahead of all of 1952, the company's peak year. But for the first three quarters net income after taxes was slightly under the same period in 1952. Although final year-end figures are not available at this writing, it is estimated that net profit after taxes will be slightly above that for the year 1952.

H. FREDERICK HAGEMANN, JR.

President, Rockland-Atlas Nat'l Bank of Boston, Mass.

The big question for the year 1954 is whether the readjustment in the economy that began in the latter part of 1953 is going to increase in severity and turn into a recession or depression or whether the current small letdown will level off and be followed by a resurgence of inflationary forces.

H. F. Hagemann, Jr.

The Federal Reserve Board after applying the credit brakes in the first part of 1953 has taken very strong measures since then to expand credit and has eased the money situation dramatically. This year both the Republicans and the Democrats alike are going to have an eye on the 1954 and 1956 elections, and the Republicans from all current indications are going to leave no stones unturned to keep business good and employment high. Let us not forget that in spite of severe corrections in some industries, in general 1953 was the best business year on record and that the economy, regardless of the slight downturn, still has tremendous momentum as it rolls on into 1954. I, therefore, feel that 1954 is going to be a good business year and substantially better than most years which we have had, with the exception of 1953.

A substantial readjustment generally is overdue and maybe the current planned easy-money policy will help to cushion this correction. If in this attempt another boom should start on top of the old one, history may well record that it would have been better to have taken our correction in 1953 and 1954 rather than to have postponed it further. In fact, it might well have been better to have taken a further correction in 1948 and 1949 rather than to have inflated to present higher levels.

In my opinion there is far too much confidence, on the part of most people, in the government's ability to control the business cycle. Granted that the government has many means at its disposal, the strongest of which is increasing the money supply and inflating, nevertheless all the government may be able to do in the light of history is to postpone the operation of the cycle, but in doing so it has often accentuated the swings. Postmortems on the 1920-'21 and 1929-'32 periods indicate that less credit expansion prior thereto and an earlier application of the economic brakes would have been better for all of us in the long run.

As we enter 1954 we find our economy again based on huge amounts of credit. There is a limit somewhere to credit expansion and borrowing, both on the part of the individual, business and the government, and there is a day of reckoning somewhere ahead when debts will either have to paid honestly or repudiated by nonpayment or by payment in depreciated money.

As we look back in economic history this is one of the rare times when an extended period of highly active business has not culminated in a period of great speculative activity. There is a human weakness to postpone adjustments as long as there is any credit left available for expansion. In my opinion, for the short-term outlook, which means 1954, our problems will be minor as easy money and deficit financing cushion the economy and bring about a resurgence. Our long range major problem, however, I believe is inflation and not deflation.

In the light of the above, bank earnings in '54 should be about the same as in 1953, loans outstanding at the end of the year about the same as now but possibly a shade lower. Money should remain plentiful for the first half of '54 but may tighten some toward the end of the year with an inflationary pick up in business and traditional seasonal borrowing. Assuming that the Federal debt limit is raised, and that seems inevitable by mid 1954, deposits at year end should generally show only minor changes from present levels, with a probability that they will be some higher.

1953 saw inflationary forces in a great many fields effectively halted. The economy at the moment while fairly well balanced between the forces of inflation and deflation, has a slight spin toward deflation, and currently most people are more concerned with deflation than inflation. People in the banking field are watching the present business situation very closely and any definite signs toward a major trend in either direction would call for a re-examination of loan and investment policies.

W. S. HALLANAN

President, Plymouth Oil Co.

While the oil industry looks forward with confidence to a continued increase in demand for petroleum products throughout 1954, it cannot and does not blind itself to the fact that we have entered the new year with excessive inventories, restricted production, mounting operating costs and dwindling profits.

W. S. Hallanan

Altogether, these cloud the 1954 outlook with greater uncertainty than has existed in many years. While the oil industry has the responsibility of solving these most serious problems, they have a direct impact upon every citizen of the United States.

We are leveling off from the peaks of production reached in the war and postwar periods. We are now getting back to a normal peacetime demand and to a competitive situation that is worldwide in scope.

The outlook for the domestic oil industry must be considered in the light of the world petroleum situation. Due to the enormous output of wells in the Middle East and elsewhere, where there are no restraints upon production and where costs are lower than in the United States, there is currently an oversupply of petroleum. This problem is further complicated by the likelihood that the Iranian oil fields may soon be brought back into production. This would mean that another 700,000 barrels of daily production would come into the world market.

Much of the oil produced abroad is finding a market in the United States to the very great detriment of the domestic producer. At the moment domestic companies are producing only 17 days per month in Texas, and similar restraints are imposed in many other states. This increases the unit cost of production and has a severe effect upon profits. At the same time, the cost of finding new reserves is increasing rapidly. Not only are wildcat wells being drilled to greater depths than heretofore, but the incidence of dry holes necessarily increases as unexplored acreage decreases.

The oil industry is today the outstanding symbol of our free enterprise system, because it has faced and surmounted the most extreme difficulties for almost 100 years. Problems are nothing new to the industry. They are the rule rather than the exception.

In am confident that the industry will solve its current problems as it has those of the past. Realism compels us to recognize, however, that the problems of 1954 are more serious and complex than any the industry has faced in peacetime for almost a generation. The industry has a responsibility beyond that of self-preservation to exercise the necessary industrial statesmanship to meet the problems of this hour. It has a public responsibility to solve these problems. The industry has met every such obligation in the past, and I am confident it will measure up to the challenge of this New Year.

ALFRED L. HAMMELL

President, Railway Express Agency, Inc.

The year 1954 undoubtedly will bring many challenges to American business and our entire economy. In the field of transportation, particularly in the express business, many of the challenges will represent long-term opportunities to build for sound future growth and greater stability.

A. L. Hammell

In the retail and consumer goods fields large users of express service, extended sales efforts in competition for the public's wage and savings dollars will put added emphasis on service and quality. As consumers become increasingly more selective in their buying, readjustments will follow. The likelihood, however, is that they will be staggered and will vary in degree with the nature and problems of the individual industry.

Although some dips from all-time peaks in many fields are foreseen by the analysts, the estimated declines should not materially diminish distribution flow.

As I see it, the business of transporting goods and commodities—because it serves all groups across the board—should maintain levels close to the average during the year.

Reports, including those I receive from Railway Express officials throughout the nation, suggest, for example, more conservative inventory policies at both wholesale and retail levels.

Merchants may well expect to meet every opportunity to sell and yet simultaneously effect real overall economies in keeping capital investment down by reducing inventories and counting on faster transportation to fill quickly any gaps on their shelves. With the speed and special service features of rail and air express available almost everywhere, Railway Express has reason to hope that retailers will specify its services to an even greater degree.

In other directions in the year ahead, we look for further improvements in our economy of benefit to the American people as a result of an anticipated continuance of the constructive policies and actions of the present Administration in Washington.

Continuation of the policy to get and keep government out of competition with private enterprise, removal of the excess profits tax and a reduction in personal income tax rates and steps to remove transportation and freight excise taxes burdening users of transportation services are seen or hoped for in the year ahead.

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New York Securities Dealers Assn. Elect New Officers

Harry R. Amott

Charles H. Dowd

Eugene G. Statter

Elbridge H. Smith

Samuel Weinberg

Harry R. Amott, of Amott, Baker & Co. Inc., has been reelected President of the New York Securities Dealers Association, it was announced.

Charles H. Dowd, of Hodson & Company, Inc., and Eugene G. Statter, of Hoit, Rose & Company, were elected Vice-Presidents of the association; Elbridge H. Smith, of Stryker & Brown, Secretary, and Samuel Weinberg, of S. Weinberg & Co., Treasurer.

The following were elected to the Board of Governors: Mr. Amott; Mr. Dowd; Mr. Statter; Mr. Smith; Mr. Weinberg; Philip L. Carret; Frank Dunne; Frederick D. Gearhart, Jr.; Herbert D. Knox; Hanns E. Kuehner; David Morris, and Oliver J. Troster.

New York Security Dealers Association

Peter T. Byrne, *Model, Roland & Stone;* Tony Lund, *Securities & Exchange Commission;* Warren Wilson, *Union Securities Corporation*

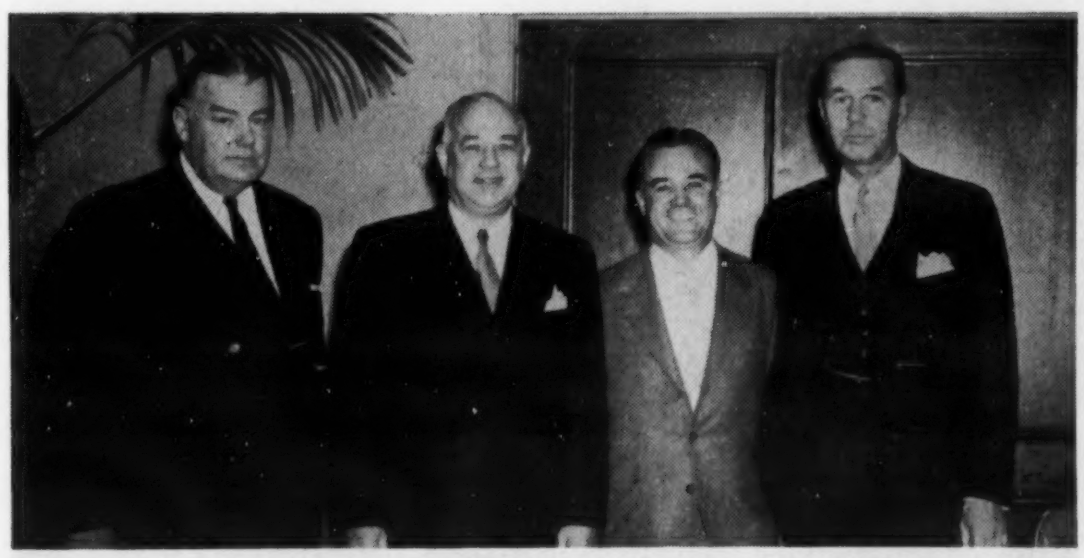
Edward Gray, *New York Stock Exchange;* Harry R. Amott, *Amott, Baker & Co. Incorporated;* T. Jerrold Bryce, *Clark, Dodge & Co.;* Frank Dunne, *Dunne & Co.;* Abner Goldstone, guest

Edwin L. Beck, *Commercial and Financial Chronicle;* Hal E. Murphy, *Commercial and Financial Chronicle*

Countess Maria Pulaski

Charles M. Zingraf, *Laurence M. Marks & Co.;* Charles Bodie, *Stein Bros. & Boyce,* Baltimore

Edward J. Enright, *Executive Secretary, New York Se-urity Dealers Association;* George L. Collins, *Geyer & Co. Incorporatd,* Chairman of the Dinner Committee



Paul Rowen, *Securities & Exchange Commission;* David Morris, *David Morris & Co.;* Edward T. McCormick, *President, American Stock Exchange;* Earl K. Bassett, *W. E. Hutton & Co.*

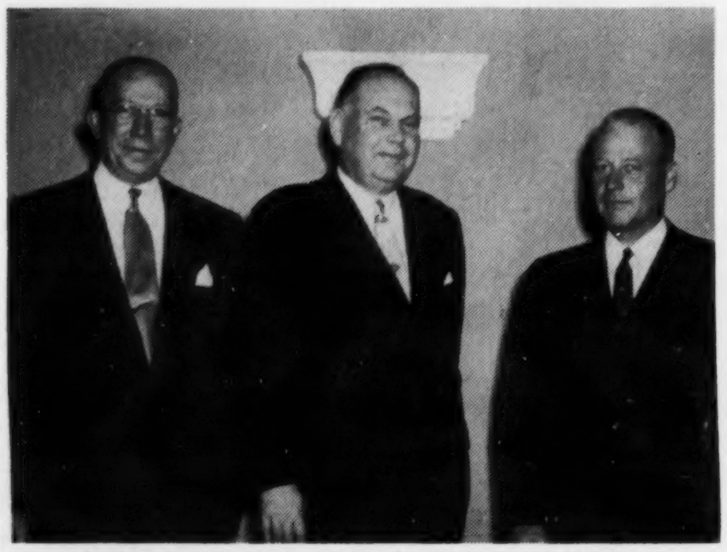
John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.;* Mortimer Landsberg; Arthur Bisgood, *Register & Transfer Co.;* Harry Fromkes, *Lawyers Title & Mortgage Co.;* Shepard Alexander, *Hamershlag, Borg & Co.*

Sydney Holtzman, Graham Walker, Dan Hannafin, Frank Fitzpatrick, Mike Growner, and George Dedrick, all of *Joseph McManus & Co.*

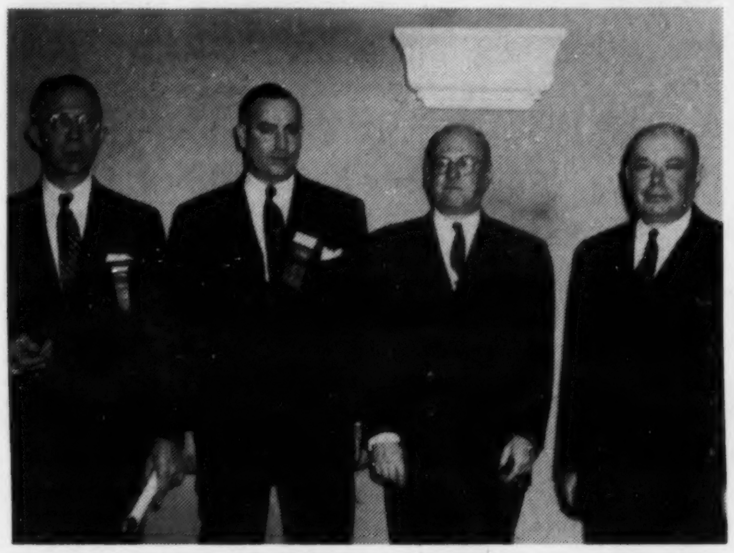
28th Annual Dinner January 22nd

Arthur Queren, *Chemical Bank & Trust Co.;* Herbert Singer, *Singer, Bean & Mackie;* J. Bernard Joseph, *J. Bernard Joseph & Co.;* Jules Bean, *Singer, Bean & Mackie, Inc.;* Hector Bohnert, *Bankers Bond Co., Inc.,* Louisville, Ky.

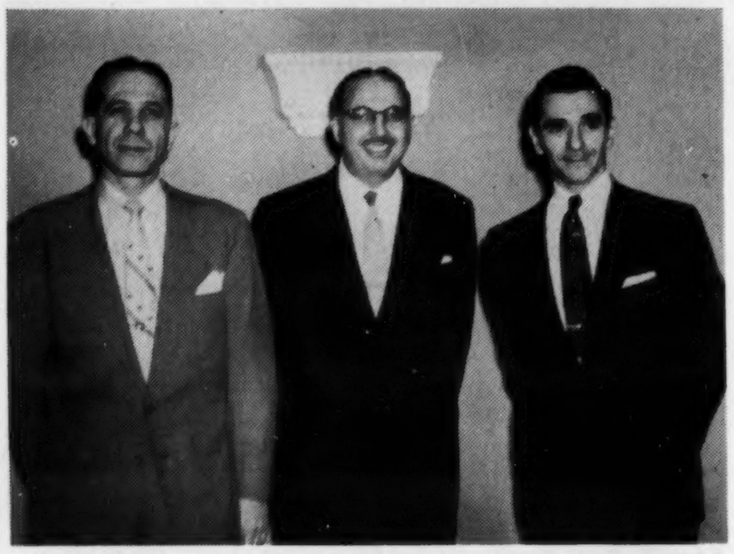
Herman Frankel, *Singer, Bean & Mackie, Inc.;* Edward Ruskin, *Singer, Bean & Mackie, Inc.;* Merritt Coleman, *Allen & Company;* Bernard Salmon, *Singer, Bean & Mackie, Inc.;* M. K. S. Altman, *H. Hentz & Co.*



Charles Wallingford, *H. M. Byllesby and Company Incorporated,* Philadelphia; Harry MacCallum, Jr., *MacCallum & Co.,* Mt. Vernon; Ralph T. Tyner, *Westchester Bank & Trust Co.,* New Rochelle, N. Y.



George A. Searight; Elbridge Smith, *Stryker & Brown;* Sam Englander, *Englander & Co.;* Ira Krupnick, *Aetna Securities Corp.*



Harry A. Stillman, *Greene and Company;* Nat Krumholz, *Siegel & Co.;* Mortimer Schultz, *Home Improvement Financing Corp.,* Plainfield, N. J.

Maurice Hart, *New York Hanseatic Corporation;* Charles E. Klein, *Granbery, Marache & Co.;* Frank J. Ronan, *New York Hanseatic Corporation;* Jack Honig, *New York Hanseatic Corporation*

Michael A. Voccoli, Jr., *Savard & Hart;* Arnold J. Wechsler, *Ogden, Wechsler & Co.;* Harold J. Murphy, *Bonner & Gregory;* Hoy Meyer, *Joseph Faroll & Co.;* Sid Siegel, *Siegel & Co.*

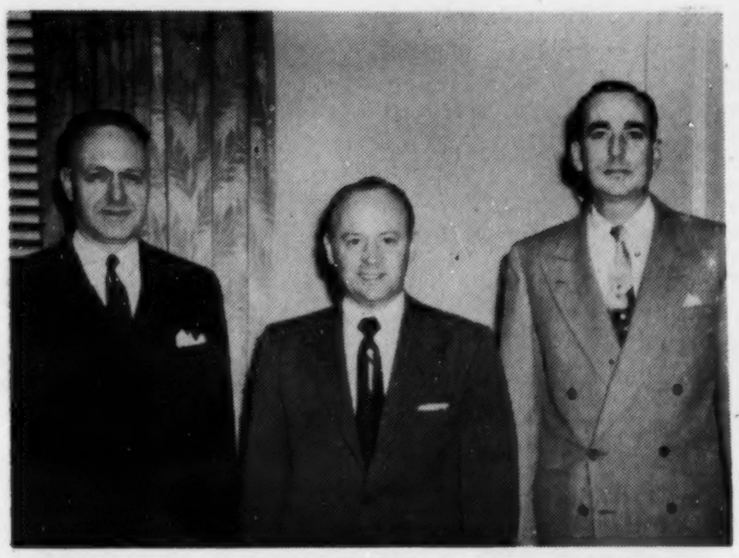
Herbert C. Tietjen, Walter C. Nester, Walter C. Foessinger, Albert J. Milloy, and Herbert H. Haines, all of *First Boston Corporation*

Maitland T. Ijams, John H. Barrett, Vincent Fetsch, Jim Waters, and Eric Bjornlund, all of *First Boston Corporation*

At the Hotel Biltmore

Harry D. Casper, *John J. O'Kane, Jr. & Co.*; John M. Mayer, *Merrill Lynch, Pierce, Fenner & Beane*; Ted Wechsler, *G. C. Haas & Co.*; Harry A. Michels, *Allen & Company*; Bert Seligman, *Straus, Blosser & McDowell*

Giles Montanye, *Eisele & King, Libaire, Stout & Co.*; Vic Reid, *Eisele & King, Libaire, Stout & Co.*; Herbert D. Knox, *H. D. Knox & Co., Inc.*; Samuel E. Magid, *Hill Thompson & Co., Inc.*; Frank Harrington, *H. D. Knox & Co., Inc.*, Boston

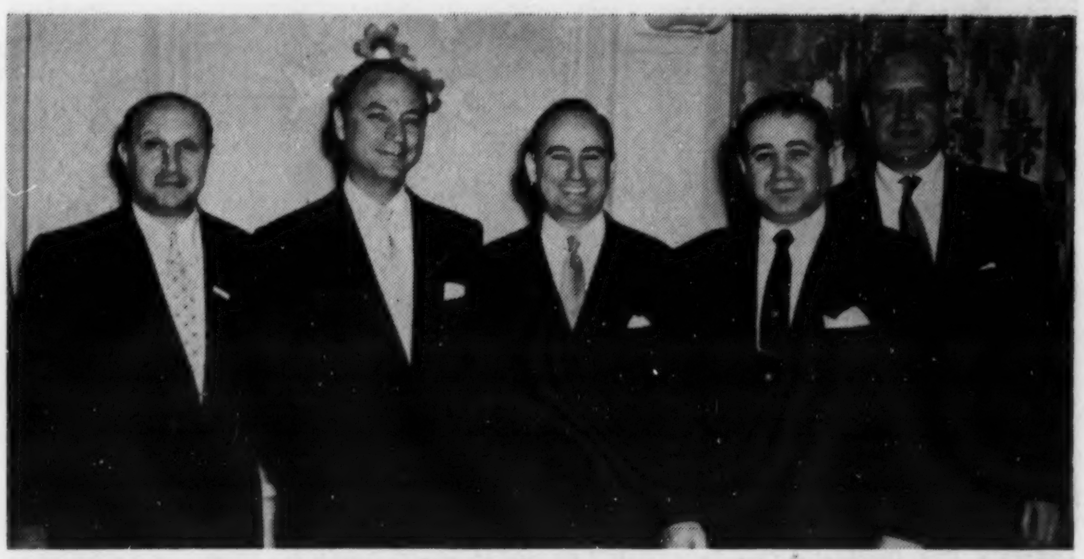


Col. Oliver J. Troster, *Troster, Singer & Co.*; Milton Pinkus, *Troster, Singer & Co.*; Charles S. Offerman, *Troster, Singer & Co.*

Paul A. Brunn, guest; Charles H. Dowd, *Hodson & Company, Inc.*; George J. Springer, *Hodson & Company, Inc.*

Hanns E. Kuehner, *Joyce, Kuehner & Co.*; Reg. Knapp, *Wertheim & Co.*; Edward A. Kole, guest

Frank Cestaro, *L. F. Rothschild & Co.*; Eugene M. Cohen, *Joseph Faroll & Co.*; Bob Kullman, *Carl M. Loeb, Rhoades & Co.*; Jeff Lutterman, *Birnbaum & Co.*



S. B. Cantor, *S. B. Cantor Co.*; Daniel J. Riesner; David Magid, *Hill Thompson & Co., Inc.*; Bob Strauss, *Daniel F. Rice & Company*, Chicago; Arthur Burian, *Daniel F. Rice & Company*, N. Y. C.

Eugene G. Statter, *Hoit, Rose & Company*; Joe Markman, *Newburger & Co.*, Philadelphia; Robert M. Topol, *Greene and Company*; Julius Golden, *Greene and Company*; Melville S. Wien, *M. S. Wien & Co.*; Percy J. Wien, *M. S. Wien & Co.*

Charles Rufer, *McDonnell & Co.*; James Mundy, *Stroud & Company, Incorporated*, Philadelphia; Harry Grahame, *Jacques Coe & Co.*; Frank Hall, *Gersten & Frenkel*; Bob Attmore, *Sheridan Bogan Paul & Co., Inc.*, Philadelphia; Arthur Winner, *Stanley Heller & Co.*

Four Hundred in Attendance

Bill Moran, *Securities and Exchange Commission;* Frank Purcell, *Securities and Exchange Commission;* Irwin R. Frumberg, *Securities and Exchange Commission;* John J. Kelly, *National Association of Securities Dealers;* George E. Rieber, *National Association of Securities Dealers*

Bert Pike, *Troster, Singer & Co.;* Louis Singer, *Troster, Singer & Co.;* Wilfred N. Day, *Charles A. Day & Co., Inc.,* Boston; Frank Kiernan, *Central National Bank,* Yonkers, N. Y.; Samuel Weinberg, *S. Weinberg & Co.*

Michael J. Heaney, *Michael J. Heaney & Co.;* Stan Roggenburg, *Roggenburg & Co.*

Nat Lukow, *Birnbaum & Co.;* Alfred F. Tisch, *Fitzgerald & Company, Inc.;* Nahum Birnbaum, *Birnbaum & Co.*

William Janes, *Chemical Bank & Trust Co.;* Lester Frenkel, *Gersten & Frenkel*

Edward V. Otis, *Gearhart & Otis, Inc.;* "Duke" Hunter, *Hunter Securities Corporation;* Fred Gearhart, *Gearhart & Otis, Inc.;* Earl Hooper, *Gearhart & Otis, Inc.;* John H. de Castanos, *Hunter Securities Corporation*

Irving Stein, *Greene and Company;* Sam Bortner, *Stein Bros. & Boyce,* Philadelphia; John Hawkins, *Amott, Baker & Co. Incorporated;* Allan Levian, *Amott, Baker & Co. Incorporated;* Jack Anson, *Amott, Baker & Co. Incorporated*

Lou Walker, *National Quotation Bureau;* George V. Hunt, *McLaughlin, Reuss & Co.;* Philip Carret, *Granbery, Marache & Co.;* Fred J. Rabe, *F. J. Rabe & Co.*

A. A. Geller, *Allen & Company;* Bert Stern, *Allen & Company;* Larry Lyons, *Allen & Company;* Elmer E. Myers, *George B. Wallace & Co.*

Continued from page 30

A transportation milestone in 1954 is the 115th Anniversary on March 4 of the starting of the express business. Just a few days earlier, on Feburary 28, Railway Express marks the completion of 25 years of the railroads' ownership of the business.

As the Agency starts its new contract with the rail carriers on March 1 it will be in a sound and reinforced state. There are many factors now present which will enable us to further improve our service to customers and at the same time foresee reductions in the deficits incurred by the railroads in providing the underlying intercity transportation service.

Realigned and augmented executive skills, continuing heavy investments in modern materials handling equipment, a trained corps of service suprevisors and many other programs designed to strengthen operating, personnel and sales activities keynote the new vigor with which Railway Express Agency faces the future.

At the close of 1953 Railway Express Agency operations were centered in about 15,200 offices serving some 23,000 communities. Approximately 58,500 people were directly involved in providing express service at the year-end. About 45,000 are express employees, another 1,200 serve as exclusive express agents, and 12,250 are joint railroad and express agents.

In addition to the Agency's fleet of close to 16,000 vehicles, the facilities of many other carriers participate in express operations.

Used daily in providing Railway Express service—representing a transportation network serving the United States, Hawaii, Alaska, Cuba and certain Canadian points—were 179,686 miles of railroads, 112,364 miles of airline routes, 18,628 miles of truck lines and 12,137 miles of water routes.

The year 1954 should see renewed recognition of the role played by Railway Express and the maintenance of its traditional record of service in an expanding and maturing nation.

ROBERT M. HANES

President, Wachovia Bank & Trust Co., Winston-Salem, N. C.

The outlook for business in 1954 can be considered good, although somewhat below 1953 levels. The difficulty is that as we move along from month to month, we shall be making comparisons with the same period in 1953 which was a record-breaking year. The figures for 1954 can still be good although not up to the heights of 1953. This is an important point to remember, otherwise we can become unjustifiably pessimistic.

Robert M. Hanes

At this time last year, our whole economy was straining to catch up with the lost production caused by the steel strike of mid-'52. There was a tremendous upsurge in steel, automobiles, and construction, all of which had been held back by the strike. This upswing continued unabated until the middle of '53.

We should remember that the declines we have experienced in recent weeks are not downward trends from normal or average business, but from record high levels. The rate of production, personal income, and sales we are now experiencing are well above the postwar average.

Another important point is that we are gradually moving into more normal business conditions, where markets, prices, and production are determined more and more by the law of supply and demand, rather than by artificial stimulation. Business is going to be more largely on its own, a condition necessary to a sound and stable economy.

Although business levels will be somewhat off from the previous year, nevertheless there will be a number of stimulating factors at work in our economy to make opportunities abundant for those who are willing to work, manage and sell.

If, as we anticipate, business is good in 1954, it will be so largely because business management is working hard to make it good. Since 1940 we have had crisis after crisis, wars, all-out defense efforts, and other world events that have demanded huge Government expenditures. This resulted in Government deficits, inflation, and scare buying which had the effect of repeated shots in the arm for business. Now the stimulants are being reduced; the shots in the arm are less potent. Government will play a lesser role in business stimulation, but will stand by to prevent wide or disorderly swings in either direction.

TOM S. HARKISON

President, The National Bank of South Dakota, Sioux Falls, S. Dak.

A healthy volume of general business appears in store for our trade territory, at least for the first part of 1954. The profit potential therein will depend more than ever before on the quality of management.

Ours is primarily an agricultural area, and farm conditions consequently influence the local economy. Despite an agricultural price and income decline in 1953, a much better than average local corn crop sustained a very good business activity toward the year-end. Department store sales were up slightly in 1953, and should continue to compare well with the previous year. Automotive and farm equipment retail is down, and may go lower. Public, business and residential construction should equal 1953. Employment holds up well. Farmers are in a reasonably good cash position. Individual deposits in banks are up and loan demand is not weakening. Consumer credit outstanding is not increasing excessively, and delinquency experience is very satisfactory.

These conditions indicate, in my opinion, that general business should be good for several months to come. What happens in the latter part of the year obviously will depend locally on crop prospects and results.

JOHN HARPER

President, Harper Oil Co., Inc.

As was anticipated a year ago, the petroleum industry has finally eliminated all of the shortages of supply which had accustomed the oil fraternity to continual anxieties over the tightness of one product or another for more than a decade. Surplus stocks have accumulated and, as a result, destructive price conditions have developed in many areas and will continue to do so as each marketer tries to force more sales through his regular channels.

John Harper

No doubt can continue to exist in anybody's mind that the oil business is competitive. Practices that have been in moth balls for years are now reappearing with the hope of catching the other fellows off guard.

In such a situation suppliers are going to look to new marketing areas. The larger volume of the jobber or distributor, in comparison to the single service station, garage or commercial consumer, will regain its old appeal to the supplier whenever sales begin to lag behind production.

While the smaller wholesaler in petroleum marketing is going to encounter stiffer and stiffer rivalry in sales solicitation, he must remember that this applies both ways—not only when he sells, but also when he buys.

The dominance of a sellers' market for so long rendered the slow accumulation of gasoline outlets through salaried operation entirely adequate. Though this solicitation has been stepped up by the use of every conceivable sales inducement, there is no question but that the small businessman, acting on his own initiative, will eventually outstrip the employees. His freedom of action and incentive for profit will win out. It's the old story of the superiority of irregular troops fighting for their own cause, as against the better equipped mercenaries.

The petroleum industry is in for keen competition in 1954. From the little fellow's point of view, I look for tough battles. In many cases we are going to have to fight for our lives against well heeled opposition, but this is as it should be. Jobbers and distributors have proven their worth in the field of fuel oil marketing. If they dig in and use their wits, maybe they will have a real opportunity this year on gasoline. It just may be that suppliers have stuck their necks out with such tremendous capital investments in service stations. With a buyers' market, it may well be possible for the small man to take advantage of this situation .

I look for a material increase in the strength and prestige of jobbers and distributors in a turbulent year that may show a slight decrease in profits for the industry.

CHARLES W. HOFF

President, Union Trust Company of Maryland

With comparatively few exceptions—notably that of agriculture—the year 1953 has been profitable economically and one of high industrial production. While the pace may be slower in 1954 it is reasonable to expect the continuance of good business. It will be a year of levelling off rather than one of peak production or for that matter of a sustained recession. Under the impetus of competition, emphasis will be placed upon greater efficiency and lower operating costs, with a slightly lower average price for many products.

Charles W. Hoff

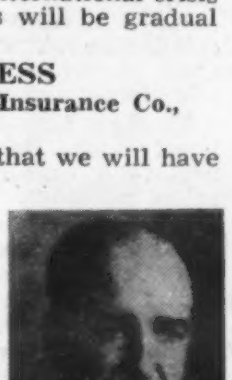
Interest rates may soften, and banks may not have as high a gross income as in 1953. Here again the search will be for more economical methods and new sources of revenue in an effort to maintain the current level of net profits.

Caution is a necessary attribute to successful business management, but this is not to be confused with policies that are jittery in nature and constantly geared to an impending serious depression. Barring some national or international crisis the variations in the business indexes will be gradual and therefore more readily sustained.

HOWARD HOLDERNESS

President, Jefferson Standard Life Insurance Co., Greensboro, N. C.

I believe that everyone expects and that we will have a readjustment in business during 1954.



Howard Holderness

Life insurance sales in 1953 were the highest ever had by our company and also in the industry. People are saving more money and one of the major ways of saving is through the purchase of life insurance. The life insurance agent is becoming better trained and more capable of analyzing insurance needs of the people of the country.

Even with a readjustment taking place in industry in general, in my opinion, in 1954 the sales of life insurance will set a new record because of the above factors.

J. L. HOLLOWAY

Chairman, Crane Co.

We are right when we speak loudly and continuously about the private enterprise system and the land of opportunity. But we often forget what we have been saying about the wonders of doing business the American way when we analyze the prospects immediately ahead to forecast sales and earnings.

J. L. Halloway

With the initiative and ambition we talk of, with our know how coupled with vision, business always can be good. It may be a little better or a little worse depending upon market saturation, taxes, Government restrictions and "trends" but with the freedom of action that we enjoy, there is always opportunity for progress.

Markets are always being saturated — but new ones are always being opened up. The public and industry welcome new and improved products with open arms, always ready to discard what is inferior, inefficient and obsolete. It seems to me to be a mistake to become enthusiastic, ambitious and courageous only when the forecasts are most favorable and apathetic and fearful when they are not.

The objective of American business is more than just to provide the nation with its needs. This would result in a static living standard. What we must do is improve the standard. We can do this only by creating improved products and new features for comfortable living. If we can continue to do this—and there isn't any doubt in my mind that we can—we need not worry about how many automobiles, TV sets, radios, bathtubs and other items of durable goods the American people have—they'll buy a new one if it's improved enough to be worth buying. Not only that, we can always sell new kinds of products if they are truly new enough and fill a need.

Crane Co. is, among other things, in the heating business. Every worn out boiler presents a prospective sale and every new home constructed presents a similar opportunity. But our big market—and it will always be there—is made when we create a new type of heating that makes the old way seem out of date, or when we create a new kind of boiler that will do an obviously better job. I have radiant baseboard heating in mind when I speak of the former—and boilers that will operate with much lower chimneys to accommodate basementless houses when I speak of the latter.

So I think that, if we will keep on spending money for new equipment, research and engineering and adequate advertising and sales promotion, we will have a good year in 1954. Even if we analyze conditions, we will find reasons for optimism. Better education tends to increase living standards and demand for home comforts and conveniences. Simultaneously the ranks of our scientists and technologists have grown and they have more know how and facilities than ever before. Although some industries may be reaching saturation, the chemical industry, among others, surely is not. It will provide the new frontier we seek.

Another thing. It doesn't always have to be a bigger year statistically to be a good year—or even a better one. A year of attention to improved manufacturing facilities, increased capacity, coupled with broadened engineering and research, may be the year that turns many succeeding future years toward increased sales.

Whether the new year will be about like last year, a little slower than last year, or, possibly a little better, cannot be predicted. It depends somewhat upon what our attitude is and what we do about it.

H. E. HUMPHREYS JR.

President, United States Rubber Co.

Another good year is ahead for the rubber industry. It will not be as good as record-smashing 1953. But, compared with previous years, it will be a prosperous one for most people who have a stake in the industry.

Sales of the industry, estimated at $5.5 billion in 1953, may be 7% lower in 1954.

H. E. Humphreys Jr.

Tons of rubber consumed in 1954 are expected to be the second highest in history, down only 4% from the record 1,333,000 long tons converted into finished products in 1953.

On the basis of 1954 production forecasts by automobile manufacturers, fewer tires for new cars and trucks will be required. But replacement tire demand will be up 2½%. We look for sales of 77 million passenger car tires and 13 million truck and bus tires, for a total of 90 million. This compares with about 93 million in 1953 and 85 million in 1952. Demand for industrial rubber products will continue good, although not as strong as in the past two

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years. Orders for these products follow closely the general level of industrial production. Increasing demand for power wire and cables, new types of transmission belts, plastic pipe and other plastic industrial products will partly offset any declines in other lines.

The market for foam rubber is increasing rapidly. We do not expect this growth to be slowed much, even by the cutback in auto production. Added sales to the bedding and furniture markets will probably more than make up the difference.

Rubber footwear sales continue to follow a changing pattern. Waterproof footwear, which once accounted for the big bulk of business in this field, has declined in volume, partly due to recent mild winters. On the other hand, canvas, rubber-soled shoes for casual wear and sports have grown in public favor until they now make up roughly half of rubber footwear sales.

The industry's chemical business grows rapidly, and will continue to do so, particularly plastics. The outlook for reinforced plastics for car bodies, truck trailer bodies and as a building construction material is excellent.

In 1954, negotiations between the government and the rubber industry will decide the fate of the synthetic rubber plants. It is hoped that a suitable schedule for transfer of the plants to private industry can be worked out.

Rubber industry defense business declined in 1953 to 12½% of total sales. A further decrease to about 10% is expected in 1954.

CHARLES L. HUSTON, JR.

President, Lukens Steel Co.

Lukens Steel Company expects a lower overall return in sales dollars and profits during 1954 due to price adjustments among the company's steel specialties and a progressive change in customer's production selection. The company should experience relatively good business during the year, according to current market information, but it is not anticipated that 1954 will be as profitable as 1953 when records were set in virtually all phases of Lukens' production and marketing.

C. L. Huston, Jr.

The tax picture for 1954 is expected to be less burdensome due to lower excess profits taxes, and should help to offset in some degree the profit reduction indicated by the forecast of less overall sales dollars.

Due to the relatively favorable prices of raw materials, Lukens reduced the price of carbon and alloy plates several months ago. The price reduction along with a previous decision to refrain from increasing prices on other lines helped bring the company more into line with its competitors and helped its customers to remain competitive in their fields.

The present status of business appears to indicate a constructive relationship between Lukens and its customer. The company's continuing modernization and expansion program should enable further consolidation of customer standing through improvements in quality and service. The plant expansion program, in progress since 1945, will continue as scheduled in 1954. Steel processing facilities will have been expanded by more than $32 million in planned or completed additions by the end of the year.

CURTIS M. HUTCHINS

Chairman and President, Bangor & Aroostook Railroad Co.

Because it pretty well describes a high percentage of our freight traffic, the Bangor and Aroostook is popularly known as "The Pulp and Potato Road." And, since that is so, it follows that our views on year-to-year outlooks for the railroad industry are premised on substantially different factors than those which govern most other railroads.

Curtis M. Hutchins

Whether Detroit makes more or less automobiles in 1954 than in 1953 has almost no effect on our freight revenues, nor does it much matter insofar as we are concerned whether coal and wheat and most of the products of industry move in greater or less volume in 1954.

Thus when you ask us to review 1953 and give you our thinking for 1954 you are, in effect, asking us to write in terms of forest products and potatoes. To take the second first: The year just past has been a difficult one for all Maine potato growers and a year of near-disaster for many. Potatoes which sold for $5-$6 per barrel in the field in the fall of 1952 have sold for as low as 80 cents a barrel in the potato house in the fall of 1953.

As this is written, the greater part of a bumper crop of unusually high quality is still in the potato houses. We would not even attempt to forecast whether all of these potatoes will find a market before the shipping season ends late this spring.

Nor would we attempt at this time to forecast the acreage which will be planted this year.

In short, the potato outlook—which means our potato traffic outlook—is beyond our ability, at least, to forecast.

On the other and much brighter side, the forest products outlook is very good indeed. Forest product revenues were highly satisfactory in 1953 and there is ample reason to believe that they will be even more so in 1954.

In addition, several other sources of revenue which did not bulk large in our total in times past are now increasing. In fact they have increased to the point where our freight revenue in October of last year was slightly greater than the previous October despite a sharp reduction in potato traffic.

This, plus our anticipated return from forest products, leads us to believe that our freight revenue in 1954 will probably be equal to 1953 and possibly—and especially if better days come to the potato industry—a little greater.

To put all this in a sentence—1953 was not up to early expectations, yet was a little better than 1952, and it looks to us right now as if 1954 should be quite comparable.

EDWARD D. JONES

Edward D. Jones & Co., St. Louis, Mo.

Edward D. Jones

I believe 1954 will be a reasonably good year—it will be 90% work and 10% imagination. Retail security sales should equal or run ahead of 1953. Individuals and corporations should have funds for reinvestment, because of thrift and tax adjustments.

H. C. KARPF

President, Live Stock National Bank, Omaha, Neb.

Our business is primarily the financing of livestock. My personal opinion is that 1954 will see a shortage of cattle in the feed lots as compared to a year earlier. If this shortage should run from 10% to 20%, we should see very satisfactory prices for cattle during 1954 both from the feed lot and from the range, this, of course, based on industrial conditions of the country. Cattle feeders at this time are getting a fair price for their feed but making no substantial profits. Lambs purchased early in the season for around 14¢ to 14½¢ are showing a small profit; lambs purchased in the last 30 to 40 days would show a substantial loss. With a shortage of lambs in the country it is hard to understand why the depressed market. With hogs selling at around the $23 level, cattle selling up to $28, lambs selling at $19.50, it hardly makes sense. Apparently there is something wrong in the sheep industry which most of us are unable to figure out.

JAMES M. KENNEDY

Chairman, Revere Copper & Brass Inc.

Along with American industry generally, Revere Copper and Brass Incorporated in 1953 had one of the best years in its 152-year history. Business was exceedingly good with high levels established in net income, sales and shipments. As the backbone of our business since the days of our founder, Paul Revere, copper and copper alloy mill products continued during 1953 to provide the largest share of the company's sales volume. However, our many other products also benefited from exceptionally strong demand.

James M. Kennedy

Aluminum is one example. The first copper and brass fabricator to enter the wrought aluminum field, Revere has an increasingly important stake in this industry and 1953 sales reflected this growth. Much of our company's expansion plans have centered and will continue to center around this metal. Sales of Revere Ware copper-clad stainless steel cooking utensils remained gratifyingly strong as they have in every year since they were introduced to the American public in 1939. We have recently established a manufacturer-retailer newspaper co-operative advertising program for these utensils which should aid substantially in further stimulating demand in 1954.

Nineteen fifty-three also was a good year for our electrical welded steel tube and our re-manufactured products such as forgings, stampings, lockseam tube and rolled moldings.

With this record behind us, Revere enters 1954 in a mood of optimism, confident that our business will remain at a good level. While it seems reasonable to expect a drop from the 1953 totals, all signs indicate that the new year will be satisfactory.

The indications are that our economy has temporarily come down somewhat from the high plateau on which it has been operating almost uninterruptedly since 1950. The decline should be nothing more than a leveling-off —a period of readjustment which, barring an unforeseen change in the international situation, may continue for a year or two. The immediate months ahead, however, promise to be characterized as a buyers', rather than a sellers' market. Revere is geared to meet this stronger competitive challenge.

In our opinion the American economy is strong and because of that the outlook is encouraging. It is estimated that the consumers' income will be increased about $2.9 billion in 1954 by the 10% reduction in personal income taxes but part of this may be offset by the elimination of overtime and reduced hours of work. However, a net increase of $2.4 billion is expected which, together with the fact that corporation excess profit taxes will be removed, should increase potential buying power.

From all indications the automobile industry — one of Revere's principal customers — expects to produce a minimum of five million cars in 1954, with some forecasts running considerably higher. This will be a drop from the 1953 total but it will still provide good business for automobile suppliers.

Revere, as a leading supplier to the construction field, is also optimistic over the outlook in that industry, in the fields of both residential and commercial building. Estimates indicate only an approximate 2% drop from the 1953 totals—a building year in the neighborhood of $34 billion.

The household appliance market is also expected to be substantial, which should produce a continuing good demand for copper and aluminum. New products—such as air conditioners, new types of household appliances, heat pumps, and new electrical starting systems and electrical power steering for the automotive industry —are expected to help compensate for possible lower volume in some consumer durable lines.

The Defense Department has indicated there will be some cuts in spending and to that extent we will be affected. However, we have defense contracts now for 1954, some of which run through the first quarter and others through the first eight months of the year. It is of interest to note here that our Clinton Manufacturing Division at Clinton, Ill., has recently turned out its millionth 90 mm. steel cartridge shell case for the government, for which we have been cited by Army Ordnance.

Revere's capital investment program in 1954 will again be substantial. For several years the company has been improving plant facilities and acquiring new facilities needed for better operations, improved service to customers and increased earnings, as well as to cover expansion into new fields. A continuation of this program is contemplated for the year 1954. The funds for this program will continue to come out of earnings.

As a leading copper fabricator, and with a larger developing interest in aluminum, Revere over the years has pioneered in many production techniques for these metals. This pioneering is continuing with the addition of providing new equipment to further improve service and quality. For example, we have added and are adding high speed equipment to roll larger cakes, to finish longer coils and to roll wider widths of metal.

As an important buyer of copper, Revere is concerned with the availability of this metal. World production of copper in 1953 on a mine basis was little changed from production in 1952 in spite of increases in production capacity.

The failure of mine output to increase during 1953 was due primarily to labor disturbances in Chile and Canada. Although productive capacity of both these countries has been somewhat increased, it appears that actual mine output was lower than in 1952 due to strikes in the second half of the year. In addition, Chilean production was curtailed during the third quarter because of the accumulation of large tonnages of unsold copper under the Chilean Government's program of attempting to maintain a high selling price for its metal.

Although mine production showed little change, there was a substantial increase in the recovery of copper from scrap by the primary refineries. In the United States, 1953 production was more than double the 1952 output —amounting to about 115,000 tons as compared with 46,000 tons in 1952. This is in line with the comment made last year that much scrap copper was being held back because of the differential pricing in effect under government price controls. Since these price controls were dropped in late February, 1953, copper of foreign and domestic origin has sold at approximately equivalent prices and scrap has flowed freely.

The production outlook for 1954 depends both on the labor situation and on the course of the metal market. If copper prices remain fairly close to present levels and if there is no recurrence of serious labor difficulties, it is probable that production will rise by 8 to 10%.

As an index of the anticipated increases in mine production in the United States and five other leading copper producing areas of the western world, the following estimates (with actual production for 1952) may be of interest:

Copper Production, Mine Basis, Short Tons

Country—	1952	1953	1954	1956
United States	932,629	970,000	1,000,000	1,200,000
Canada	258,868	250,000	290,000	325,000
Chile	446,144	390,000	450,000	500,000
Australia	21,802	35,000	40,000	40,000
Belgian Congo	226,797	225,000	230,000	230,000
Rhodesia	327,191	340,000	380,000	450,000
	2,213,431	2,210,000	2,390,000	2,745,000

It will be seen from this that a further major increase in production will occur within the next three years, as the new projects lounched during the Korean crisis come into actual production.

The first of these new projects in the United States —The Yerington Mine—began operating late in 1953 and a second project—the Silver Bell Mine—will begin production in early 1954, and a third project—White Pine Copper Mine—expects production in late 1954. At

least three other substantial new producers are expected to begin operating sometime within the next three years. This expansion program gives assurance of ample copper supplies.

In view of this outlook, pessimistic forecasts which predict another copper shortage in the next seven or eight years do not reflect the true picture. There will be more than an adequate supply of copper into the indefinite future—more than enough to take care of all the major applications in which copper is the preferred metal for both technical and economic reasons.

Therefore, with the assurance of a free copper market, the development of greater technical skills and higher standards of quality at Revere and within the nonferrous fabricating industry, and the benefits of experienced and enlightened management, we look with hope and confidence to a successful year in 1954.

JOHN F. KIDDE

President, Walter Kidde & Co. Inc.

From experience within our own company, and by some knowledge of general business affairs, it seems to us that there has now already been a lull in new orders and a stretchout in delivery requirements for orders on hand, dating back to the early summer of 1953. In our opinion this readjustment may have run more than half of its course and a better business tone by the second quarter of 1954 would not be in any way surprising.


John F. Kidde

Over the longer term it would seem that the wide publicity given to the possibility of a recession, and the plans made to combat it, have been effective in reducing its magnitude, and we anticipate that 1954 as a whole will not prove to be a year of severe decline from the two preceding banner years.

Although certain segments of the economy may show definite weaknesses at this time, other segments, and they are numerous, seem to us to show great strength for both the near and long-term outlook.

O. W. KILLAM

Laredo, Texas

I hesitate to express my views on the general outlook for business, for I am, to a degree, pessimistic about the situation for the next year or two.

I feel that we have over-production in a great many lines, and that our present prosperity rests on a fictitious and make-believe basis. Just how long we can continue to fool ourselves with this kind of prosperity is doubtful, but I feel sure the end is not too far in the future.

Money seems to be in great demand among the small borrowers and they are offering fabulous rates of interest compared to what they were a few years back. I think a great many small businesses are on the verge of bankruptcy and the showdown with most of them will probably come within the next 12 months.

There is nothing political in my views. I think Mr. Eisenhower is doing a wonderful job under the present circumstances, but I do not believe that he or anyone else can much longer resist the law of supply and demand, and sooner or later we will have to quit producing large quantities of agricultural products to sell to the government.

I hope my views are in error.

ARTHUR B. LaFAR

President, The Angostura-Wuppermann Corp.

During the fiscal year which ended August 31, 1953, sales of Angostura aromatic bitters reached an all-time record high. The net income per share after taxes showed an increase of 24.4% over the previous twelve-month period, and the net profits after taxes of the Angostura-Wupperman Corporation were up by more than 24%.


Arthur B. Lafar

These figures did not surprise those who have watched the growth in consumer acceptance of Angostura since the product was first introduced in the United States some eighty years ago. More revealing in the end-of-the-year figures was that the major gain in unit sales was in the 2- and 4-ounce consumer size bottles. The 2-ounce size alone registered a spectacular 21% increase in sales over the previous year.

The smaller bottles of Angostura were developed and put on the market for the convenience of individual consumers who wanted the product for home use. Last year's sales figures indicate that bitters are moving directly into people's homes more rapidly than ever before, and the Angostura-Wuppermann Corporation believes that there are two reasons for this. Both are based on "taste."

According to the most reliable statistics, drinking at home is increasing. It is apparent from the unit sales figures of Angostura that consumers who drink at home consider it essential to their drinking enjoyment that Angostura be used in the standard cocktail recipes that call for it as an ingredient. It is also true that the American woman is becoming more adventurous in her cooking habits, and food editors have supported the use of Angostura as a reliable and exciting spice that can be used easily and effectively in an almost limitless variety of everyday dishes. There can be no doubt that consumer "taste" for Angostura is growing in both the liquor and food fields.

The new use of Angostura as the perfect liquid spice, an all-purpose seasoning and flavoring agent in food recipes, has been virtually unexploited up until now. Experimentation on the commercial as well as the consumer level indicates that this market for the product offers tremendous possibilities for growth. Commercial food processors are discovering that the flavor of Angostura "holds" on the shelf, and it is now the secret flavoring ingredient in a number of processed food products.

Angostura aromatic bitters has distribution in grocery and chain stores in every major market, and consumers are being reached directly with the sales story of the product as a flavoring agent through intensive promotion programs. A sixteen-page booklet of home recipes using this "shelf of spices in one bottle" has been distributed to thousands of homemakers through grocery outlets, newspapers, radio and television programs during the past year. The result is that many homes now consider Angostura standard equipment not only in the recreation room or bar, but also in the kitchen.

Based on these facts, the outlook for 1954 is exceptionally good. Consumers have indicated their taste preference for the product in mixed-at-home drinks. More public places will be inclined, in the competitive market, to cater to the tastes of their patrons. Homemakers have used Angostura successfully in a variety of food recipes and will be encouraged to experiment with it further. These facts, which indicate direct consumer acceptance and need for the product, are the soundest foundation for sales.

ROBERT E. LEWIS

President, Argus Cameras, Inc.

There is quite a debate among economists and other authorities on the state of our economy. We at Argus agree that 1954 will be a more competitive year and will undoubtedly find downward adjustments in many areas.


Robert E. Lewis

However, we believe that the net result will be an excellent year and the profit record for American industry will be second only to the high record set in 1953.

It is commonplace to talk about a buyers' market or a sellers' market. The year 1954 will probably be neither, but could be more aptly predicted as a "salesman's market." Such a market is one in which the consuming public has the money and the desire to buy but are looking for values and have to be sold. Much has been said about the fact that very little real selling has been done by American industry since the beginning of the war. While many may not be willing to admit it, it is nevertheless true.

We at Argus plan to increase our merchandising and advertising efforts by 30%. We feel that aggressive activity along this line, as well as offering products that are a real value, will result in increased business for us.

In addition to an aggressive and increased merchandising program we are also busy improving our facilities and reducing our costs so that we can be sure to be competitive when the chips are down.

If all American industry will concentrate on providing values and doing a real selling job, the American economy will continue to grow. Pessimism has no place in the picture and those who preach it are doing a disservice to our country.

L. E. LEVERONE

President, Nationwide Food Service, Inc.

A great preponderance of financial prophecy to date regarding the business prospects for the year 1954 seems to point solidly to one extreme or the other—to a continued boom level for business, or to a recession.

In my opinion, it is not likely that either prediction will be right, but rather it is more likely that we are entering a period which might be described as a return to normalcy.


L. E. Leverone

Manufacturers of consumers goods are confronted with a condition of swollen inventories on dealers' shelves. This condition will need correction in the months to come, and a proper solution will be found, not in price wars but in lower production. Lower production in consumer goods will have a consequent dampening effect on capital industry, with the business indices, generally speaking, somewhat lower than the year 1953.

Continued high employment is not to be expected, but rather a probable return to a more normal status of unemployment which might approximate a figure somewhat higher than six million. Private credits are at a dangerously high figure and a liquidation of this amount —between 30 and 50%—would be a very healthy factor for our internal economy. These are the pessimistic factors.

On the bright side, the decision of the Administration to permit the expiration of the excess profits tax, as well as some of the excise taxes, is a very constructive aspect. Undoubtedly, further economies in the defense establishment, as well as in the foreign spending budget, will bring our Federal fiscal picture within more desirable limits.

It is anticipated that business mortality will rise somewhat, particularly among marginal producers lacking adequate financing or sound management, or both. The lost art of salesmanship will enter a period of renaissance and the profit picture of corporations generally might be a little bit lower, although considerably healthier.

It will be a very hopeful sign for the American economy if the Administration continues to point toward a balanced budget and sound fiscal policies. If, on the other hand, the Administration resorts to pump-priming, and pushes unrestricted credit, it is to be feared that these temporary palliatives may stave off the day of reckoning for a year or two, but finally might result in a much more severe recession.

I am hopeful that in the interest of a sound economy, that the law of supply and demand will again be permitted to prevail, with the fullest confidence that the ingenuity and resourcefulness of American businessmen will continue the expansion of American industry and commerce.

LOUIS F. LONG

President, The Cudahy Packing Co.

Another year of high beef and veal production is in prospect for 1954. But the volume of pork, lamb and mutton moving from packinghouses to the meat markets will be lower, while poultry supplies will at least equal those of 1953.

These are the conclusions we reach after a close study of the many economic factors that govern the nation's supply of meat.

Assuming that business activity will decline only slightly during the next six months, we believe that purchasing power will be sufficient to sustain the high anticipated meat production. The supply of feed grains and concentrates is adequate to provide for the present visible livestock population and to promise carry-over stock at the end of 1954.

The cattle and calf population reached its peak in 1953 and now stands at 94 million, a high figure. In addition to normal production this year, we anticipate that some herds will be reduced, providing the nation with about the same beef and veal production we had last year. The total production going to consumers may be greater, because the Federal Government emergency beef purchasing program last year removed the equivalent of som 830,000 head of cattle from normal trade channels.

The pig crop in the spring of 1953 was reduced approximately 10% by producers. That cut is reflected this winter in smaller hog marketings and a consequent reduction in pork production. It is likely, however, that the better prices commanded in the hog markets will encourage producers to increase the 1954 pig crop.

The pork supply tends to fluctuate more rapidly than beef because the production cycle for hogs is less than a year, while cattle production has a three- to four-year cycle. Today's large cattle population is traceable to the stimulus given production late in the war by high prices. The abundance of cattle and the shortage of hogs drove beef prices down last year and pork prices up. We do not expect an appreciable change in this price relationship before the end of 1954.

Heavier marketing of lambs and sheep in 1953 made inroads on the population of these animals. We anticipate as a result that fewer will reach the market this year, which means a slightly lower production of lamb and mutton.

Overall prospects for 1954 seem to point to a total meat production for the public about equal to that of 1953, if not slightly greater. With a rapidly growing population, the per capita consumption of meat may decline even in the face of a small gain in total production.

W. BLADEN LOWNDES

President, The Fidelity Trust Co., Baltimore, Md.

Crystal gazing is outside the sphere of the banker's activities. He gathers the facts, examines the trends, weighs important factors and measures the results by those of the past. Bulwarked by experience and information, he attempts to draw accurate conclusions.


W. B. Lowndes, Jr.

We do know that the climate in the nation's Capitol for business has improved, and that free enterprise has been able to absorb without serious difficulties the first inevitable economic shocks generated by a more realistic approach to the nation's problems. Only a start has been made The goal is the maintenance of the delicate balance between the forces of inflation, rampant for 20 years, and of deflation which threatened in the early months of this year. If we are to avoid both "boom and bust" it will require all of the resourcefulness, courage and common sense our leaders have. They are dedicated to a program calculated to maintain that balance.

Recently there has been a noticeable increase in the number of optimistic prognostications by government experts, businessmen and economists. Some of them may be whistling to keep their courage up, some because it is politically expedient and some because they are confirmed optimists. Others, however, believe that the favorable factors justify the expectation that business in

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the new year will not fall far below the record-smashing highs of 1953. I belong to that group.

It is admitted that steel production has receded, that take-home pay is less, that freight car loadings have dropped and that business failures are up. But it is believed that too much weight is given such soft spots. Steel production, for instance, is being measured by the all-time high, the number employed set a new mark in 1953, excess inventories have been substantially reduced, retail sales remain high when measured by the normal, wholesale prices are fairly stable, and power production is up.

Planned additions to plant and equipment, together with state and municipal projects in the making, including ambitious road programs, will help offset reduced defense spending. Money and credit are likely to be easier and the prospects of a lighter tax burden are good. These favorable factors cannot be ignored. Of course, commitments made by our government many months ago will be a deterrent to Federal budget balancing as long as defense spending and foreign aid have to be continued at high levels. Furthermore, a nation which has been given constant inflationary inoculations for 20 years must be carefully treated if economic indigestion is to be avoided.

The success or failure of business, generally, depends to a marked degree upon the ability of the consumer to buy what he can afford. His situation is by no means discouraging. It is estimated that this country enjoyed a gross national product in 1953 of approximately $367 billion, with disposable personal income not far from $248 billion, and personal consumption of about $225 billion. Even if these figures are reduced toreflect the 1940 purchasing power of the dollar, they are still colossal

Markets are being increased by sizable and continuing population growth. Personal savings are up, and the number of families in the income bracket between $3,000 and $5,000 are said to have increased 33% since 1940. Discretionary spending power—or surplus income—of the typical middle-income family is estimated to be 4½ times what it was 12 years ago. Consequently, an analysis of the consumer's debt, savings, disposable income, and discretionary spending power, when compared with similar factors in 1941, produces information which appears to justify the expectation that business in 1954 will be better than normal.

HARRY J. LOYND

President, Parke, Davis & Co.

All branches of the medical and pharmaceutical professions are pursuing aggressive research programs, and fulfillment of many projects — representing years of work—can be expected next year.

Harry J. Loynd

Despite some talk about the possibility of a general business adjustment, we are optimistic about the prospects for the pharmaceutical industry, which is a fundamental business.

One of the most encouraging facts is the greatest population boom in U. S. history. There have been big increases at both ends of the population scale. There are 12,500,000 persons over 65 now, as a result of health and medical advances in recent years, and it is estimated there will be 16,000,000 by 1960. The growth of this population segment and an increased number of retirement and pension funds mean substantial markets for all kinds of consumer needs, especially those developed to improve the health and welfare of the people.

At the other end of the scale, there are nearly 4,000,000 babies born each year. Added to the approximately 40,000,000 boys and girls under 14 now, they represent a potent market for infants' and children's needs.

In the year ahead, and in the next decade, lies a great new world of expanded professional service. We are confident our industry has the vision and foresight to meet this challenge with intelligent planning and production.

J. A. MARTINO

President, National Lead Co.

National Lead Co. operated at a high level during the whole year 1953, breaking all its previous records for sales and earnings. I expect 1954 to offer a very good chance of repeating or improving upon that performance.

Joseph A. Martino

Several of the individual dangers that have been cited as hanging over our economy have still failed to materialize. We have been threatened, for example, with a slump in new building construction and in automobile production. National Lead has an important interest in these industries, among others, and we have shared the general concern lest the unpleasant prophecies might be right, but I see no more reason to expect a decline in 1954 than there was in 1952 or 1953.

Another prediction we seem to be outliving is that the cutting of government expenditures would touch off a general business downtrend. We have seen Federal payrolls going down for a good many months now, yet business holds up. And when the time comes that military expenditures can be cut further, I believe we shall be able to take that in stride, too.

The outlook for 1954 continues good. In general inventories have been kept at a fairly low level and replacement orders should aid in keeping business on a solid basis. Significant fluctuations in the nation's economy should level off. Monetary inflation has been halted, purchasing power has now become more constant and long-range economic planning can be considered by industry with more accuracy and assurance.

Another favorable factor is the elimination of the excess profits tax. Without this tax, most corporations can surpass last year's income even though production and sales are not any higher in 1954. With business on a fairly even keel, 1954 should be a very good year for National Lead Co. I believe it will be.

L. L. MATTHEWS

President, American Trust Co., South Bend, Ind.

Looking back to the fall of 1929, I recall that there were a few fortunate businessmen and investors. A great majority, however, were totally unprepared for the stock market crash, which proved to be the siren announcing a four-year depression.

L. L. Matthews

With this in mind, I hesitate to pose as an accurate forecaster of economic conditions.

We in the banking business derive a profit from the rental of money, and I know of no product or service which has experienced less of an increase over the past two decades than interest rates. Fortunately, inflation has provided more dollars available for that service. Hence, over-all profits have kept pace with increased bank operating expense.

Beginning with the war in Korea, the demand for loans remained consistently strong until the summer of 1953, when we experienced a reversal of this trend. Today, plant expansion has apparently leveled off, the wholesaler and retailer are attempting to reduce inventories, the prospective home buyer is more price conscious, and the instalment buyer is more hesitant in building up his debts, and the resulting monthly payments. Added to these factors, is the basic farm price situation. None of these conditions need give cause for any alarm, or any particular tendency toward an immediate recession of any proportion.

On the other side of the ledger,—savings are at an all-time high, thrift plans are becoming increasingly popular, and the cash reserve of Mr. and Mrs Citizen is near an all-time high. Money is easier and the rate trend is lower.

Federal, state, and municipal spending, for which there is still an outstanding need, should keep our economy near normal for the foreseeable future. In addition, available savings will act as a further prop to the situation. A recession, if any, will have none of the characteristics of the 1929 debacle. Marginal buying of listed stocks is not a big factor, as was the case in the late twenties. Banks at that time, were 70% loaned and 30% liquid. Today, those figures are reversed. The liquidity of the nation's commercial banks is an outstanding feature of our present economy. Many other elements of stability give further support to a year of average activity.

GEORGE D. McCONNELL

President, Munsingwear, Inc.

Nineteen fifty-four should be a good year in the soft goods business. With only a slight decrease in gross national product, in total factory production and wtih the increase in population in 1954, and the increase in spendable income, it would seem that soft goods ought to hold a level equal to 1952. There will be some decrease in purchasing of high price lines, there will be most careful shopping on the part of the consumer, and selection of merchandise within price lines will be one of the outstanding features of the year, but for those manufacturers of quality merchandise in the medium-priced bracket who give good value and who have an aggressive advertising and sales campaign, there should be no cause for concern about their 1954 figures.

WILLIAM A. McKINLEY

President, The Midland Steel Products Company

W. A. McKinley

It is my belief that the condition now apparent will carry over into 1954. I refer to the fact that we have returned to a competitive market. This I consider a healthy condition, because it forces the most careful attention to quality controls, cost controls, and efficiency of operation. Research will play an even more important part than it has in recent years, because competition inspires the effort to make new products, better products. All this, to my mind, indicates that the year 1954 will see production geared to the desires of the buying public, with more effort than ever being directed toward better quality at lower prices.

ARTHUR E. McLEAN

President, The Commercial National Bank, Little Rock, Ark.

Most of us are aware of the fact that business as a whole has been gradually slowing down; that supply has temporarily caught up with demand, and that the immediate outlook is for a somewhat slower pace than has prevailed. If I confine my comments to the banking field, I believe a forecast is rather easy. Banking rocks along on a fairly even keel; it is not a feast and famine business, and 1954 results should show little change over those of 1953.

Arthur E. McLean

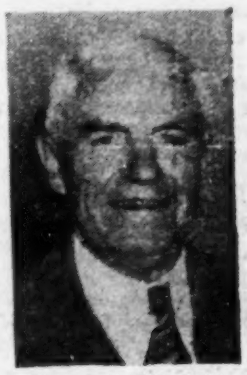
For business as a whole, the first six months will show a somewhat lower volume than was the case a year ago; a lull (so to speak), but I believe it can well be of short duration. If that turns out to be the case, active pick up in the summer and fall, can easily make 1954 a happy business year.

Business can view the future with great hope and confidence. We have an able Administration in Washington that has made progress. It has brought back integrity and honesty to government, and there is a fearless determination to protect and fairly represent all of the people. A real start has been made in the elimination of reckless spending and waste, and a reduction in our excessive taxation. This period of adjustment is not a cause for alarm. Ahead is hope and a better standard of living; incentive and a reward for a job that is well done.

HENRY S. MITCHELL

President, Duluth, South Shore & Atlantic RR. Co.

It now appears probable that the railroad industry will experience a substantial decline in gross revenue in 1954 compared to 1953, although it is still possible that there may be an upturn in business activity after the first quarter.



Henry S. Mitchell

Generally speaking, I believe emphasis in 1954 will be upon increased efficiency, rather than upon expansion of facilities to increase the capacity of the railroad industry to move goods. Of necessity, the reduction in gross income will result in the industry as a whole reducing inventories and limiting purchases more strictly in accordance with immediate needs.

The continued increases in wages, coupled with the difficulties being experienced in obtaining necessary approval to eliminate deficit passenger train operations, may result in the railroads being compelled to seek rate increases in 1954 in order to operate at a profit, and to redouble their efforts to obtain appropriate legislation for reducing the "time-lag" between the period when increased costs are incurred and the period when rate increases are allowed.

WARD MELVILLE

President, Melville Shoe Corporation

When retail sales have reached a volume of more than $170 billion, as they did last year, it may well be asked whether the rate of consumption has not now become a better measure of the economic health of the country than the rate of industrial production, especially when the latter includes large military components. Even if total production should decline slightly in 1954, we may be justified in considering it as good as 1953 if the level of total retail sales can be held at or near the $170 billion level. There seems to be a fighting chance of that, in view of the generally good financial position of consumers. The buying potential is there; everything depends upon the spending attitude of the public, influenced as it may be by a wide variety of factors, including the merchandising policies of the country's retailers. In 1953, consumers continued to increase their savings at a greater rate than their purchases of goods. Sales of new life insurance were 15% higher than in 1952—a result which most retailers would have been very happy to report. More aggressive retail merchandising in 1954—something that we can forecast with a high degree of accuracy—may translate more of the buying potential into actual sales. The savings reservoir is now at a high level, and the consumer can safely reduce his rate of saving. He may well do so if there is an easing of international tensions and continued indications of domestic stability. In such event, the year might surprise the pessimists.

Ward Melville

At the beginning of 1953, the forecasts of nearly all businessmen and economists were for a high level of general activity during the year, with a slight falling off in the second half. For once, a universally accepted forecast turned out to be substantially correct. Perhaps, then, the present general expectation of a slight decline in industrial production in 1954 will also prove to be correct. However, this does not necessarily mean a decline in consumption, although there will undoubtedly be some shifts from certain types of durable goods to semi-durable and non-durable goods. So far as shoes

are concerned, the expectation is that both production and consumption, for the year as a whole, will equal the levels of 1953. Recent substantial population growth, of course, is a persistent factor for an increase over the long term.

IRWIN L. MOORE

President, New England Electric System

New England Electric System's electric expansion program is proceeding according to schedule. Two major construction projects under way are the 150,000 kilowatt Samuel C. Moore Hydro Station on the upper Connecticut River and a 77,000 kilowatt plant addition to the South Street Station at Providence, R. I. While the Moore project will not be completed until sometime in 1956, we do expect South Street to be finished by the middle of 1954.


Irwin L. Moore

During the year we shall spend about $40,000,000 for additions and improvements needed to meet increased electric loads. This is about the same amount as was spent in 1953.

As to revenue and kilowatt hour sales in 1954, it might be best to point out that industrial curtailment in some parts of the System's service area began as early as two or three months ago, and it is expected to run its course before the last quarter of 1954. Although down from 1953, industrial sales for the calendar year of 1954 will, therefore, reflect the recovery anticipated in the last quarter.

Growth trends in other classes of sales are not expected to be affected by this industrial adjustment. Since annual sales to residential and commercial customers total about the same as industrial sales in kilowatt hours, but average a much higher rate of return, 1954 gains in revenue over 1953 from these sources will more than offset losses in industrial revenue. Rough estimates indicate that total revenues will show an improvement of about 3%, with virtually no change in production for the year as a whole.

While the current adjustment in our area is quite general in both durable and non-durable industries, there is little apprehension concerning the long-term outlook, as new industrial facilities continue to be added to our lines at an undiminished rate. Furthermore, a large part of this increase in manufacturing plants consists of new processes and young industries, such as electronics and plastics. We believe that this trend will continue, assuring for the region a more diversified and more prosperous economy, and for our own business, a higher rate of growth for all classes of sales. Our long-term expansion program is geared to this outlook.

During the past year considerable improvement in the economic thinking of our New England area could be noted in several communities served by the System. In brief, this may be described as the winning fight for industrial diversification. As a result, many of our New England communities, by constructive community self analysis and by a realistic approach to their economic problems, have improved their industrial climate.

All in all, the general economy of the area served by New England Electric System looks healthy for 1954 and while there may be temporary adjustments in the early quarters of the year, we expect overall business conditions to be about the same as in 1953.

GEORGE L. MORRISON

Chairman and President, General Baking Co.

In the complex process of industrial prophecy there is one area of stable ground—it is easy to determine the future of the bread-baking industry. Despite the increasingly varied selection of foods offered to the American housewife, bread, man's basic food, continues as our nutritional common denominator. No magic from the scientist's laboratories, no miracle from a test tube, can replace the Staff of Life.


George L. Morrison

The year of 1954 promises to be a rewarding one for the bread-baking industry because bread is essential to man's well-being. This age-old staple food still represents the greatest nutritional value for the least money.

The bakers of bread in 1954 still have a number of business and management challenges to meet. Costs are the overriding problem. For instance, while the cost of flour soared higher by 60 cents a 100-pound bag in 1953, it is expected to go still higher in the first quarter of 1954. Likewise, shortening, another major ingredient of broad, will continue roughly twice the price of 1952, or about 17 cents a pound. Labor costs, as in most other industries, continue prevailingly high.

But none of these cost problems is considered insurmountable. Latitude for improvement, under our competitive system, is always to be found by any well-run business. For instance, General Baking is meeting the problem through a program of plant improvement and expansion which has been pressed steadily, and designed to improve efficiency and consequently cut costs wherever possible. Among the main details:

A $1,700,000 bakery for bread, rolls and cake, at Spartanburg, S. C., to be completed in the spring, at which time also scheduled to be completed is a new distribution building costing more than $300,000 at Langhorne, Pa. The latter will house a fleet of route trucks and contains both auto repair facilities and administrative offices. Already completed, last May, is a $400,000 distribution building in Wilmington, Del.

General Baking, as a pioneer in commercial bread baking, places its emphasis on meeting competition on the consumer level. We have found, however, that bread must keep its place on the American menu amid a growing variety of new foods, such as frozen items and cake mixes, and amid a host of dictatorial diets imposed by outright food faddists.

As producers of an essential food, and one of utmost convenience, we have met this problem by diversifying our own basic product, in accordance with the demands of Mrs. America. Consequently, where only one loaf existed when our company started out more than forty years ago, we now produce eight. In addition to our basic loaf, we now offer seven other types to attract all consumer groups.

Furthermore, among the assets of the company which do not appear on a balance sheet is the high level of experience provided by General Baking's notably low employee turnover, and by its even lower turnover of executive personnel. Many General Baking executives and many employees at all levels have spent long years with the company. Some have devoted their entire working life to the company. This concentration of veteran counsel at policy level, veteran baking know-how at all levels, is considered most important to our operations.

No estimate of baking's performance in 1954 should ignore the forecasts of our economists. In this respect, we are rather sharply warned that the gross national product might shrink as much as 10% in the forthcoming twelve months.

We are not prepared either to accept or reject such a prediction at this time. We are bakers, not economists. We do know, however, that whenever the economic indices fall off, the consumption of bread rises proportionately to the rate of decrease. The record proves that. Wholesome bread becomes the dietary standby when relatively expensive delicacies go out of reach.

Even should the gloomiest economic forecasts for 1954 come true, simple arithmetic shows us that the coming year will be the second most prosperous in our history. We expect, confidently, to produce and sell more bread in 1954 than ever before.

Even the most conservative analyst will admit that the country has been existing in a boom economy caused by defense spending. We foresee a return, by readjustment, to a more normal, healthy, average economy balance of the couuntry's resources.

ARTHUR E. A. MUELLER

Chairman, North Central Airlines, Inc.

As North Central Airlines provides so-called "local service" to the highly industrialized middle western section of this country, trends evident in our territory probably are of national importance and may offer indications of what is in store for our entire national economy for the coming year.


Arthur E. A. Mueller

While we experienced a reduction last November in passenger revenue, which was somewhat more pronounced than our usual seasonal down-swing, we now have positive evidence of resumption of our normal long range improvement in use of our service by the flying public. This is particularly true on the part of commercial users of North Central Airlines in contrast with the occasional or vacation travelers. Toward the end of the last quarter of 1953, we have also experienced a definite increase in the number of inquiries for flight information and requests for reservations, much of which was for contemplated use of our Airline during 1954. In the past, against this type of inquiry pattern, we have always obtained a very satisfactory volume of actual business. We at North Central have every reason to be confident of improved business in the foreseeable future and look for continuation of the long range growth and development of commercial airline service between the small and medium-sized cities and the metropolitan centers of our territory.

Besides my Airline interests, I own and operate five foundry and machinery-manufacturing businesses in the Middle West which, in my opinion, are definitely of a barometric nature since they manufacture components and castings for a widely diversified list of industrial customers. Here again we experienced a minor falling off in orders during September and October but we are now back to normal operations with normal backlogs, and we see evidences of continued good business based on customers' inquiries and field reports from the sales departments.

Our activities in the manufacturing field seem to show that certain industries have already completed whatever adjustment was indicated, while others are apparently just beginning to encounter such conditions. However, our over-all volume of business seems now to be at a level that we consider normal, with increased activities in some industries taking up the slack in others.

My feeling is that the sounder attitude toward business in Washington, as evidenced in its credit policy, its attitude on taxes, and its twin programs of international and industrial peace, are all resulting in a firm foundation for future improvement and progress in the volume of business transacted in this couuntry. This belief is based not only on such generalities, but upon my personal experience and contacts in the air transportation and metal manufacturing fields, both of which I feel are characteristic of American business generally. To date all I have seen is a minor economic setback which unfortunately has been magnified, by many so-called experts, as the beginning of a major economic calamity. I personally cannot see any indication of this, or any reason to fear it.

H. C. MURPHY

President, Burlington Lines

While actual figures for 1953 are not available, it is anticipated that about 610 billion ton miles of freight service were performed by Class I railroads in 1953. This represents a slight decline from 1952, even though carloadings were slightly greater. A moderate decline in the average haul of freight accounts for this showing. We expect passenger traffic and revenue of Class I railroads in 1953 will be about 7% lower than 1952.


H. C. Murphy

Gross revenues of Class I railroads in 1953 are estimated at $10,746 million, a slight increase over 1952. Record peacetime operating expenses and tax payments were experienced in 1953. Operating expenses are estimated at $8.1 billion, and tax paid at all levels at $1.3 billion.

Capital expenditures were highlighted by equipment purchases during 1953. The railroads, including the Burlington, will continue this important program to the extent warranted by traffic revenue and earnings.

It is not practicable to make a statement reflecting the anticipated traffic volume for the railroads generally. Our own thinking based on observations in the territory we serve is that the current (and past few months) "leveling off" will continue during first quarter of 1954, with a possible strengthening of business thereafter.

We anticipate that products of agriculture should develop an upward trend with ample supplies generally prevalent in all such products. Any changes that would permit this country to more strongly enter the world grain market could provide a real stimulus to grain traffic.

Coal traffic in Burlington territory should increase 1954 over 1953 and this prediction is based on probability of more normal weather than the extremely moderate temperatures that prevailed during 1953.

It is reasonable to presume that defense spending will be lessened in the coming year and this, of course, will have its effect on revenues.

The application of Federal excise taxes amounting to 15% on passenger tickets and 3% on freight charges continued to affect both passenger and freight traffic volume and should, in our judgment, be removed. The avowed purpose of the 15% tax on passenger tickets, when enacted during World War II, was to discourage passenger travel by railroad. It is particularly aggravating to have such a tax continued at a time when the railroads are spending huge sums to encourage passenger transportation.

Present circumstances do not make it easy to forecast the 1954 business trend. From our knowledge of the situation, however, it is anticipated that our 1954 gross may be about 7% less than in 1953.

HENRY K. NORTON

President, New York, Susquehanna & Western Railroad Co.

The last few months of 1953 brought the ominous decline in railroad traffic which might well portend serious difficulties in 1954. From the evidence available, however, it would appear that this decline will be checked by the end of the first quarter of 1954 and that the year as a whole should approach the levels of 1953.


Henry K. Norton

HOWARD P. PARSHALL

President, Bank of the Commonwealth, Detroit, Mich.

In 1952, I was of the opinion that bank earnings would improve in 1953, and that we would have higher interest rates. This proved to be true, and the forthcoming year-end reports of our banks over the country should show substantial increase in earnings over 1952. The wave of bank mergers, both proposed and actual, that were taking place in 1952 appear to have subsided. This is a good omen to those of us who believe in independent banking.


H. P. Parshall

Certainly, bankers are well represented in Washington: Dr. Randolph Burgess, formerly of the National City Bank in New York, recognized as one of our nation's foremost economists, is Undersecretary of the Treasury, and Budget Director Joseph M. Dodge, former President of the Detroit Bank in Detroit, both excellent men with a fine record of outstanding accomplishments. We also have a very able man in George M. Humphrey, Secretary of the Treasury.

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One of our greatest needs is to maintain a sound dollar, and if the above mentioned men, along with their associates, cannot bring this about, then, indeed, we are in a sad plight. The present Administration moved swiftly toward sound money, too swiftly perhaps, and it was necessary that they reverse themselves, at least to some extent. I am still of the opinion that the above men and the Administration want sound money, and will work steadily toward that goal. Their's is not an easy task.

The year 1953 has been a banner year, with full employment and good profits; however there have appeared some weak spots; farming, farm machinery and the used car business slowing up considerably, just to mention a few examples. In the Detroit area, the industrial power consumption was down in November, 1953, as compared with November, 1952. There were more persons receiving unemployment checks early in December, 1953, than on the corresponding date a year ago, and unemployment in the Detroit area as of the middle of November was estimated at 76,000, as compared with 25,000 a year ago. Inventories are considered high.

Against some of these depressing factors is the outstanding fact that we will be spending 40 billion or more dollars on national defense. Spending money for war or preparing for war is never good. It is wasteful, but for the time being it stimulates business. Our government is prepared, both the Treasury Department and the Federal Reserve Board, with economic weapons that we can rest assured will be fully used to stem any recession of large proportions that might set in. Savings in our banks are at an all time high, and employment over the nation is at a very high level. Our economy is complicated and very delicate. For the past 15 years, our people, as a whole, have been prosperous. Of course, there are classes of people who have been hurt badly by inflation and high taxes; but over all, we have lived well. It would, therefore, seem that the policy of inflation and deficit financing is good. It appears to the writer that we have built on a foundation of sand, instead of the rock. This was caused, I will not say made necessary, by the huge expenditures of World War II.

In conclusion, it appears to me that 1954 business will be down from the high level of 1953. The huge defense expenditure and economic measures which will be adopted by our government should keep it from going too deep. Many of our economists estimate that total volume of production will be off 10 to 15%. Banks should enjoy another good year earning-wise in 1954. Interest rates will probably average lower than in 1953; however, banks follow the trend of economic events slowly.

We have a great country and we became great because we had an ideal which we have always cherished and guarded, and that ideal is FREEDOM—FREEDOM for the individual. If we will continue to preserve and cherish that ideal, having faith in God, faith in ourselves and faith in our country, we never need fear for the future.

W. A. PATTERSON

President, United Air Lines, Inc.

Those in the air transportation industry probably share the confidence and optimism of other industry leaders in the general outlook for 1954 — not so much in terms of profits, but rather on the basis for a more normal business operation in keeping with the best principles of free enterprise.

W. A. Patterson

Probably no year in airline history will be as competitive as 1954. Substantial increases in airline capacity and service will take place in what already has become a buyers' market. This situation is welcomed by those who believe in competitive enterprise and initiative.

While continued gains in passenger and cargo traffic are expected in the new year, we may also find a further narrowing of our profit margin. Airline costs have been rising faster than airline revenues with the result that there has been a diminishing return on airline investments. There is a question as to how long the airlines can continue to offer virtually the same fare level which existed in 1941 plus the considerable gains in airline speed, comfort, dependability and efficiency without some upward adjustment of rates and tariffs.

Along with the opportunities which we see on the airline horizon, there are the inevitable problems. Already the nation's scheduled airlines have on order some 175 new aircraft valued at $276,000,000 — and still further substantial investments will be required as jetliners come into the picture. While we do not expect such aircraft to be in commercial domestic operation before 1960, we must be making preparations for them now. The type of jet airliner which we envision for service will cost around $4,000,000 each as compared with the approximately $1,650,000 which we are spending for today's DC-7s.

Other major projects of the new year must include improvement of ground handling of passengers and cargo to keep pace with developments aloft. Our company presently is studying certain new types of facilities which we hope may revolutionize the presently complicated business of loading and unloading passengers and cargo.

In 1953, the fiftieth anniversary of powered flight, the acceptance and use of the airplane reached new highs. In 1954, still greater progress can be expected. The prospect of what will happen in the next 50—or even 25—years of aviation challenges the imagination.

EDWIN W. PAULEY

Los Angeles, Calif.

There need be no debate over the probability of a business decline. It is here. It is not serious. It can be corrected. The President has already defined his policy: he will take whatever steps are necessary to prevent a recession. Fortunately, he has the means at hand to do so. These means were developed, and proven to be effective, under Roosevelt and Truman.

Edwin W. Pauley

The question now is largely one of skill and proper timing by the President in applying whatever restorative measures are needed. He will have continued by-partisan support in Congress so long as he avoids indecision or delay. Pump-priming is not an overnight cure, so if, in the face of continued danger signals, Washington puts off action until after the November elections we may find ourselves in trouble. It is naive to think we have, or can have, a free and unrestricted economy when so much of our national income goes to implement defense and foreign policy. We will neither talk our way into nor out of a depression; we might conceivably fumble our way into one. The immediate future of our economy lies with Mr. Eisenhower; and I have every reason to believe that he has the situation well in hand—and so we face no real danger in 1954.

HAYES PICKLESIMER

President, The Kanawha Valley Bank, Charleston, W. Va.

Business in this area has held at better levels than we anticipated. Employment, with the exception of coal, is approximately that of one year ago with, of course, slightly higher wages. This latter factor, coupled with more liberal credit terms, has maintained retail sales rather well.

Hayes Picklesimer

Our major customers, as you know, are coal, chemicals, oil and gas, lumber, wholesale and retail distribution, and as far as we know there is not much in the way of expansion planned in the blueprint stage by the manufacturing and natural resource industries.

Wholesale and retail distribution customers are not optimistic that the business momentum will carry through in 1954. Production and purchasing policies, as well as plans for expansion, if any, are what one might term as "wait and see."

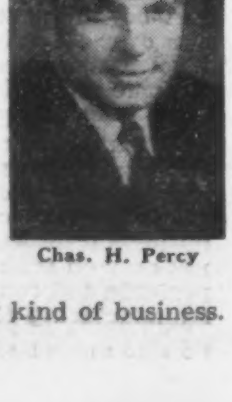
Banks in this area, as a whole, are not aggressively seeking any loan accounts. The majority feel that their loan portfolios are large enough. The larger banks are an exception and are continuing to accept business loans and to solicit them if accompanied by substantial deposit accounts. I do not think that any of the banks are as aggressive in this respect as they were in the early part of 1953. This policy may change if conditions in the bond market improve. Most of them have been "frozen in" with losses too large in their bond portfolio to justify switching into loans even at higher rates.

I think it is well to recognize that the economy of Southern West Virginia is basically coal, and while the past three or four months have seen the mines operating on a better work schedule, which has provided employment for the miners, nevertheless from an earning standpoint, the net has been a loss to the operators. At the moment we see nothing in the picture that indicates a change in this situation.

CHARLES H. PERCY

President, Bell & Howell Co.

Business activity in 1954 should certainly not be far off record levels of last year. In the photographic industry, the outlook continues bright. As far as Bell & Howell is concerned, we expect to increase both sales and earnings this year over last year.



Chas. H. Percy

During 1953, there was a marked increase in interest in photography on the part of the American public. Interest was heightened by the advent of lower priced, easy to use equipment—particularly in the field of amateur movie and slide projection equipment. We feel this will carry over into 1954.

We firmly expect that in the year of hard competition selling that lies ahead, we will see increased demand for sales films of all kinds and sound motion picture projection equipment particularly. Also microfilm equipment sales should make major gains because of the economies microfilm systems make possible in almost every kind of business. We also feel that the introduction of Cinemascopic (wide screen motions pictures) has revitalized public interest in movies as an entertainment medium and has breathed new life into the entire motion picture industry.

Among amateur photographers, prospects for sales of three dimensional still cameras and projectors appear excellent.

But the key to 1954 will be more efficient and more effective merchandising. There is still a large reservoir of untapped purchasing power and if we can convince people to buy and to keep on buying our goods and services, the tempo of business activity in 1954 should continue at close to present levels.

This will be a very challenging year, one in which costs and expenditures, inventories and methods will require the closest scrutiny. For each dollar we spend or invest, we will have to insist upon a full measure of value in return.

Our greatest opportunity lies in the development and introduction of a profusion of new products—products that will capture the imagination and the dollars of the buying public. There seems to be no limit to human wants and needs, nor no limit to the ingenuity of our engineers and designers in satisfying them.

If, in this new year, we can instill in each person who works for us a conviction that he, as an individual, shares part of the responsibility for our being able to meet the challenge of 1954, no matter what his role, we shall have gone a long way toward making this another good year for American business.

JAMES H. POLHEMUS

President, Portland General Electric Co.

The electric utility industry of the Pacific Northwest is reacting quickly to the Eisenhower Administration's "partnership" power policy and will initiate important expansions during 1954. We can anticipate new proposals similar to the recently announced application for preliminary permit of five Northwest electric companies, including Portland General Electric, for permission to investigate the possibility of constructing two large hydroelectric projects on the Clearwater River in northern Idaho. The two Clearwater dams will cost in excess of $300,000,000, but they constitute only a "starter" in fulfilling load requirements of the region.

James H. Polhemus

The term "partnership" must of necessity have a broad meaning, at least until more definite policies and procedures have been formed. Certainly one facet of "partnership" will be a greater participation by local agencies in future hydroelectric development. It is likely that the Federal Government will not discontinue its program of multiple purpose development on the main stem of the Columbia, inasmuch as the problems and complexities attaching to these major developments would be difficult of reconciliation by a single local public or private agency or even a group of agencies. However, plans will be based on the announced policy of a **maximum** amount of local development. Local participating systems may vary in number and character, project to project, depending on individual power requirements. For example, there is the possibility of publicly-owned and investor-owned systems getting together in the sponsorship of some developments.

Independent construction of projects will continue, and in fact will be stimulated by the new Administration policy which has handed back to the industry the major responsibility for development of hydroelectric sites.

During the entire era of the former Democratic Administration Federal power policies were such that local agency construction of either steam-electric or hydroelectric facilities was discouraged, and the region's electric systems tended to become more distributors of federally produced and subsidized power. Now they are making their beginning attempts to reassume their former full-scale producer and distributor role.

An extrapolation of current industry trends indicates only a slight slackening in the rate of increase upon electric utility systems in the Pacific Northwest. The region is continuing a rather steady growth in population and in business development despite the limiting factor of tight power supply which has marked the last several years. Although there is some unemployment in certain lines, others—notably lumber—seemed on the upswing after going through a market adjustment period earlier in the year.

Building permits in the Portland area were higher in 1953 than the previous year, and public buying power as indexed by retail sales and other evidence continued high. In the latter category was a record use of kilowatt-hours by residential and farm customers, at least in our company, in 1953.

As of Nov. 30, 1953, PGE's annual average residential consumption of electricity was 6,223 kilowatthours, more than double the national average and an increase of 227 kilowatthours over the same period in 1952.

ERNEST W. POTTER

President, Citizens Commercial & Savings Bank, Flint, Mich.

Flint, Michigan, is located in the heart of the automobile and automobile parts producing area of our country. As a matter of fact, our economy is pretty much dependent upon the production and sale of automobiles and parts. The largest of the General Motors units are located in this area and when they are busy we are prosperous.


Ernest W. Potter

The executives in the automobile industry are forecasting a production of six million cars and trucks during the year 1954. If their forecasts are correct, and we believe they are, the entire southeastern part of Michigan should enjoy very good business conditions throughout the year.

There are many favorable factors in the national picture. Individual savings are at an all-time high, bank deposits are high and banks are in a very liquid condition. Taxes must go down, not up, which will leave more take home pay. Because of the growing population there is a great need for more new homes and employment should be satisfactory.

The unfavorable factors in the picture are that there may be some reduction in farm income and some reduction in business coupled with the psychology of an election year. Overall in our belief there will not be to exceed a 10% reduction from the 1953 figures which were at an all-time high.

JOHN M. REEVES

President, Reeves Brothers, Inc.

The textile industry is ending its second year of deflation or readjustment. This is one of the longest of such periods in its history. During this period, inventories have now finally been brought down to a realistic basis, prices on most items have declined to the point where there is little or no profit to marginal mills and such mills have been closing or merging or going through the process of severe curtailment.


John M. Reeves

Those mills which during the last years have plowed back a good part of their profits into new and up-to-date machinery and which have good cost systems installed are now in a position to show some profits. They will be in fine shape to take advantage of a change for the better which has been bound to come. Such a turn, I believe, is now just about here.

This deflationary period, which I have referred to, has been brought about by overproduction, particularly in the field of synthetics. During the years 1939 to 1946, a great many new mills were put into operation on synthetics. Many of the fabrics made replaced like items in cotton and therefore the over-production in this field spilled over into cottons and the entire textile industry suffered from this great increase in output.

In the past two years, however, cottons have regained their position due to new developments in finishing processes and to better styling. In fact, cottons are fast expanding in the dress, skirt and blouse fields for all year wear.

All in all, I can see much better business for the properly managed mills this quarter than has been the case for some time.

W. J. W. REID

President, Otis Elevator Co., Ltd.

The business interests of the writer fall largely, though not exclusively, within the confines of the Canadian construction industry. One may perhaps excuse an expression of opinion derived from such a relatively limited field by pointing out that in Canada we have long regarded the construction industry to be both an indicator of the national economic health, and with its secondary industries, a far-reaching source of diversified employment.


W. J. W. Reid

In 1953 the Canadian economy enjoyed an overall record year following six previous years of increasing productivity and prosperity. One to-be-anticipated result of such an expansionist period is a sharp rise in larger urban construction. The Canadian business cycle has now reached this stage and it appears likely that construction contract totals for 1954 will approach, if they do not surpass, the all-time record level of 1953.

In terms of the construction industry, the Canadian economic cycle appears to progress in a succession of residential, industrial, institutional and finally, large urban building peaks. It must be recognized that in the past a general economic decline has usually followed the urban peak but the circumstances of the present culmination of urban building appear to be altogether different from those of any preceding boom. For example, both industrial and residential building, which in the past have invariably declined previous to the urban peak, continue at high levels and in fact show indications of still further increase. Furthermore, present high construction levels in Canada have been attained with a relatively low contribution from Governmental and other official sources. These authorities are known to have many large projects planned and contemplated.

Canada shares in the world-wide interest in, and concern for, international trade to a very high degree. We are still highly susceptible to the fluctuations of world markets for our basic products, such as wheat, paper products, etc. The rapid industrialization and urban expansion of the country at large are fast alleviating, though by no means eliminating, our dependence upon export trade. With continuing development of our basic resources and industries, with many major projects including the St. Lawrence Seaway planned or in prospect, and with a sustained high level of capital investment, there is every reason to believe that Canadian business, in spite of some individual or regional exceptions, will continue to flourish in 1954.

ARTHUR REIS, JR.

President, Robert Reis & Co.

The men's wear industry has dwelt in a pronounced buyers' market for several years. Inventories at both retail and manufacturing levels are currently normal varying to low. The high inventories of several former years appear to be well behind us. While large-scale military business is not likely, it was not profitable, and hence will not be overly missed. The overall picture is favorable.


Arthur Reis, Jr.

Quite apart from being free from conditions that might make for a readjustment, several other factors point toward reasonably good business. The improved living standard of this country reflects itself in marked demand for better quality merchandise and improved styling. This in turn brings better prices. Overall volume stands to gain. Simultaneously the textile industry, notwithstanding being one of the nation's oldest industries, has recently come up with a number of significant improvements that appeal to the quality-conscious consumer. These include shrinkage control for cotton knit goods, fast colors and shrinkage control for rayons, improved handling of the new synthetics such as blending of dacron with wool for men's suits, and crease-resistance for woven cottons. All of these innovations and many more help to enable our industry to hold its place in securing its share of the consumer dollar. Various studies in recent years have tended to show that apparel has received a shrinking percentage of consumer spending. That trend should at least be arrested. The men's wear industry stands also to be the gainer from two factors affecting the country at large. More leisure time resulting from longer vacations and a shorter work week have developed a need for additions to the wardrobe in terms of sports and leisure wear. Thus new and additional garments are becoming virtual necessities. The other factor is the long-term growth in the country's population. This is making itself felt in a fast-growing boys' industry, in itself a short step removed from the men's industry.

The primary difficulty in 1954 appears to lie in securing adequate profit margins for the manufacturer. Increasing transportation expense as well as rising costs elsewhere for the retailer have led him to seek assistance in terms of lower prices. Intense competition as well as increased labor costs combine to narrow the gap further between manufacturer's cost and selling prices.

If this situation does not become overly burdensome, adequate consumer demand in our industry should be available to make 1954 a good year.

FRANK R. RIESENBERGER

President, Van Raalte

The textile industry, of which our company is a part, having passed through several years of readjustment, would appear to have clearer sailing ahead for 1954.

Since we are completely integrated producers of underthings, hosiery and gloves made principally from synthetic fibres and distributed directly to retail stores, we fall into a rather special sector of the textile industry. Such adjustment in the industry as has occurred in 1951 through 1953 has had no appreciable effect on our operations. Volume has remained on a highly stable plateau, reaching a slightly higher level in 1953 than in the two almost identical previous years. Profit margins have tended to decline, yet very slightly, due to lowered prices and increased costs of distribution, both brought about by very competitive conditions. However, research, technological improvement and ingenuity in styling have largely counteracted these adverse market pressures.


F. R. Riesenberger

The condition of the economy as a whole and what happens to the level of disposable income in 1954 can, of course, have a bearing on our operations. We are unable to foresee, however, any important change in disposable income beyond perhaps a slight decline sometime during the first six months of the year, to be more than compensated for during the last half of the year.

We have a large consumer acceptance of our products and a sound relationship of long standing with all of the country's leading stores. These factors, together with efficient and economical production, plus a program of hard and intelligent selling, give us the confidence to anticipate increases in both volume and profit for the year 1954.

E. J. RIES

Chairman, Ritter Co., Inc.


E. J. Ries

Our contracts for dental and medical equipment for the Armed Forces will be completed by the end of January. This business has represented 28% of our total volume in 1953.

We anticipated a large volume of orders during 1954 from non-military customers, particularly on new equipment that was placed on the market a year ago. While it may not be possible to make up for the loss of government business, we feel that sales and profit in 1954 will be above our average.

J. P. ROUTH

Chairman and President, The Pittston Co.

It is difficult to appraise the outlook for the bituminous coal industry for 1954 due to a number of indeterminate factors, of which perhaps the two most important are:

(1) Whether the importation of foreign residual oils will be stopped or limited.

(2) Whether increased amounts of off-season (summer) natural gas will be available at so-called "dump" or very low prices.


Joseph P. Routh

These two factors have already been the cause of the loss of millions of tons of coal business and of course, if allowed to continue or increase, will make further inroads in the bituminous coal industry. On the other hand the production of coal for 1954 will also be affected by economic conditions, particularly the production of steel, as it takes approximately one and one-half tons of coal to produce one ton of steel. The other hope for the industry to maintain a production close to 1953 will depend on the increased demands of the utilities. There is no question that the utilities will use more fuel. The question is what proportion of these increased fuel requirements will go to imported oil, to low-priced summer gas or to coal.

Paradoxical as it may seem, certain segments of the bituminous coal industry will likely do very well and increase both their production and profits where others will do very poorly and show substantial losses. Companies such as Pittsburgh Consolidation Coal Company or the Pittston-Clinchfield coal companies that have either substantial acreage of virgin high-grade metallurgical coals that can be produced at low cost which the steel industry requires, or that have low cost steam coal mines geographically located so that they are on the shortest freight haul to the expanding utility industry, will do very well. On the other hand, coal companies which produce steam coals at average cost and which are not located on short hauls to the utility plants will suffer greatly as the markets which these companies formerly served, namely, railroad fuel and domestic retail trade, have almost entirely disappeared.

Another factor that can not be overlooked that will affect the industry, perhaps not as soon as 1954, is the further development of mechanization and the production of coal with new machines. The further efficiency of the continuous miner and the use of auger mining in combination with strip mining during the past year again brought up the average production per man-hour. The type of continuous mining now being experimented with by Union Carbide will be another great development in increasing production and reducing costs per ton, all of which are necessary to meet the encroaching competition of oil and natural gas if the industry is to continue on a production basis equal to present production or to increase its production in the future. The time will undoubtedly come when the mining industry will be completely revolutionized so that instead of mining into a seam of coal, machines of the type Union Carbide is now experimenting with will actually pull the coal out of the seam with a tremendous increase in production per man-hour and thus a great reduction in cost.

A good deal of adjustment has already taken place in the bituminous coal industry, and in 1954 its production should not be any less proportionately than industry in general is off for that year. The long-term outlook of the industry is excellent, especially for those companies that are well situated.

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JOSEPH F. RINGLAND

President, Northwestern National Bank of Minneapolis

As we enter 1954, business generally throughout the country is giving an excellent account of itself but it has already receded from the extremely high levels of the spring and early summer of 1953. We must expect this decline to continue—especially in certain lines. We cannot reasonably expect the production of automobiles and of many other durable goods to hold to the high level of 1953. Housing starts may be down and additions to plant and equipment may lag. The high rate of accumulation of inventories that served as a stimulus for business in 1953 can hardly continue in the New Year.


J. F. Ringland

There are, however, many favorable stabilizing factors in our economy. Our big defense production should decline not more than the reduction in Federal taxes. While the number of unemployed may increase, it should still represent only a small percentage of the labor force. Disposable personal income should be about as high in the first six months of 1954 as it was in the first six months of 1953. With high incomes and lower taxes, it is to be expected the consumers will keep up and probably increase their expenditures for non-durable goods and for services. Building of roads and schools may accelerate and commercial construction should not decline. This will give us a relatively high level of business activity. While it is improbable that business will be as good in 1954 as in 1953, we can reasonably hope that it will be as good as it was in 1952, and 1952 was one of the best periods for business in our history.

In our general territory, the degree of prosperity is dependent upon agriculture. Despite the decline in agricultural prices our farm income was only moderately lower in 1953 than a year earlier and most farming communities in this area were reasonably prosperous. Now prices of farm products including livestock appear to be stabilizing. We can expect there will be continued price support of basic farm crops and it may be that with the decline that has already occurred in prices of things the farmer has to sell, he has largely made his post-Korean readjustment. If crops in this territory in 1954 are as good as they were in 1953, the cash income of the farmer should be almost the same. In that event we can reasonably anticipate that the measure of prosperity in our area this year should be at least as good as that for the country as a whole.

Just as business is at a high level so also is banking. While loans have not risen this past fall as expected demand for money is strong. Bank earnings have been at a good level and should continue good in 1954. As elsewhere in the country, banking in the Ninth Federal Reserve District enjoyed satisfactory results in 1953, reflecting the area's business prosperity. This trend should continue in the New Year.

DANIEL T. ROWE

President, Kings Highway Savings Bank, Brooklyn, N. Y.

In January of 1953, prognosticators of business trends had to weigh many intangibles. A new President, representing a change in governmental philosophy, was just taking office bringing new personalities into political power whose actions and decisions might well change the course of history. This Administration represented the first change in political party after twenty years of a philosophy of ever-expanding governmental spending and control. The country was at war in Korea. Huge expenditures were being made for armaments. Financial assistance was being given to most countries around the world. Business was booming and production was at an all-time high. Savings were increasing at a phenomenal pace. Money for mortgages and inventory loans was plentiful.


Daniel T. Rowe

What Did the Year 1953 Hold in Store for the Country?

As we review the happenings of this past year we are impressed with the record achieved. It soon became apparent that our President was determined to stop inflation. This was accomplished. A truce was arranged in Korea. Departments in government were reorganized and unessential activities eliminated. Under exceptionally capable leadership the Department of Defense re-examined its operations and its requirements. Government took the first steps in years toward returning to the states and its citizens control of local resources and business. In government, it was a period of readjustment.

Business continued to expand with production reaching the highest peak in America's economic history. Defense production, while leveling off, continued at top speed. The automotive industry produced and sold more cars than ever before. Expenditures by industry for plant expansion and modernization reached new heights. Home building starts reached 1,100,000 units, even though the so-called "hard money" policy tightened the mortgage money supply last spring. Personal savings continued to increase at about 7% of available income. Reserves of available funds in insurance policies, savings accounts and government bonds are ready for the use of the respective holders.

What Does 1954 Hold in Store for Us?

From statements made by the President and Cabinet members it is obvious that plans have been made and will be applied wherever weak spots occur in our economy. This may take the form of increased public-works outlays and the assignment of defense contracts in areas showing signs of excessive unemployment. Defense spending, however, will decline about $5 billion this year.

In the business world the rise in inventories came to a halt late in 1953 and will have to be cut to a more healthy level particularly in the hard goods lines. Consumer spending can be expected for housing and other services, making less available for other goods. Car manufacturers expect to produce and sell, five and one-half million units, as compared to 6.1 million in 1953. The government can be expected to encourage exports and no severe change can be foreseen in this segment of our economy. The Federal Reserve can be expected to loosen credit further in an attempt to stimulate business activity.

With lower taxes, disposable income will hold close to the peak rate of $250 billion annually. Personal savings are expected to increase at a rate slightly below the 7% of 1953. The mortgage money supply is expected to be plentiful. With an active construction industry; demand for goods by an ever increasing population; thoughtful assistance from the government and the keen search for new products, i.e., (color television-synthetics-plastics) and their distribution by industry, the country can expect excellent business in 1954 though recessed from the record breaking peak of 1953.

J. G. SHENNAN

President, Elgin National Watch Co.

The year 1954 holds every prospect for satisfactory corporate progress by the American jeweled watch industry because the base of its operations is being broadened by diversification into other fields of production and selling.


J. G. Shennan

This has become a necessary solution to competitive attrition in the watch manufacturing field, resulting from disastrously low tariffs on Swiss-made watch movements made under prevailing labor rates two-thirds lower than our own. But it has also resulted from our discovery that the watchmaker's precision skills can contribute importantly to several "frontier" fields of technology.

Elgin's own experience is illustrative. Our research facilities, largest in the industry, have ranged far afield from the customary areas of horological research into work with metallurgy, chemistry, optics, electronics, plastics and other sciences. This activity, combined with our specialized production experience during the past 13 years with high-precision military instruments, has exposed us to tremendous new opportunities.

For example, we are all aware that in a host of military, commercial and industrial devices men are learning how to make more complex and versatile instruments. But we also know that complexity too often produce bulk and weight that may in many instances defeat the instrument's purpose unless it is miniaturized.

Miniaturization is therefore one of the chief contributions we can offer, a promise substantiated in the estimate that the transistor, generally considered a miracle of miniaturization, is at least twice as large as it need be if made to tolerances commonplace in the watch industry. It is believed that similar reductions can be made in low-cost production of resistors, capacitors, transformers, printed circuits and other electronic components.

Elgin expects to remain vigorously in the watch manufacturing field and will continue devoting its very best research, engineering, manufacturing and marketing efforts to that work. But some measure of the degree to which our still-infant diversification program has already grown is shown in the fact that more than 25% of our estimated 1953 sales volume of $60,000,000 will come from products other than American-made watches. By contrast in 1949 only 2% of our $27,625,000 volume came from diverse products.

To expedite this trend we announced in 1953 our intention of affiliating with other companies to diversify into two fields where our characteristics of precision, miniaturization and quality can be applied most aptly—miniature electronic components and automatic production instruments. Other diverse products already in our line include watch cases, men's jewelry, watch attachments, Wadsworth imported watches, decorative emblems for automobiles and home appliances, and other items in the jewelry and related fields. Even more significant from a diversification standpoint are our "Dymo" abrasive products, lubricants for delicate instruments, high precision applications of our "Elgiloy" unbreakable mainspring alloy, and a large volume of complex ammunition components and military timing instruments.

The combination of these factors should reflect itself in a continued healthy pattern of corporate growth. We expect the 1954 watch market to approximate the 1953 level, but even if this should not happen we believe the growing fruits of our diversification program will keep our company healthy and growing.

ARTHUR D. SCHULTE

President, Park & Tilford Distillers Corp.

The liquor industry enters the first quarter of 1954 with certain economic factors that, barring unforeseeable developments, should operate in its favor during the year. Not the least important of these factors is the prevailing opinion of economists that the mild readjustment now underway will continue to remain mild, with a good chance that the present downward trend will be reversed later this year. There is an inclination, in other words, to recognize that the basic economic forces at work today are strong enough to offset relatively minor reductions in governmental defense expenditures.


Arthur D. Schulte

Encouraging, too, because of the public confidence in the future that it inspires, is the attitude of the Administration in Washington toward the whole problem of economic stability. This attitude reflects both optimism on the soundness of the national economy and an intention to take positive steps to counteract adverse economic tendencies.

Of major sigificance to an industry such as the one in which this company is principally engaged, an industry that is dependent upon consumer income, is the 10% reduction in the personal income tax that has just gone into effect. It is estimated that this tax relief will add $2 billion during 1954 to the spendable income of the consuming public—even with the increase in the social security tax rate that went into effect concurrently.

The elimination of the excess profits tax and the reduction in the corporate tax rate due on April 1 are still other favorable factors since they will offer business strong inducements to make additional expenditures, thus raising the level of business activity.

Finally, there is the prospect that the liquor industry will receive some relief in the form of the $1.50-a-gallon tax reduction which is due to take place, under the law, on April 1.

This lowering of the Federal excise tax will be a gain in that it will make possible a moderate reduction in prices. While welcoming this reduction, members of the liquor industry are determined that it should not become a signal for any letdown in the campaign to obtain a tax reduction large enough to strike a blow at bootlegging.

Even with the $1.50-a-gallon reduction, the illicit liquor producer in 1954 will be the legal industry's chief competitor for the consumer dollar.

It will be necessary, therefore, to press the drive for a tax reduction to $6 a gallon with the utmost vigor. Genuine relief for the liquor industry, as well as alleviation of an increasingly acute social problem flowing from illicit activity, can come only when the bootlegger's tax advantage is abolished.

R. PERRY SHORTS

President, Second National Bank & Trust Co. of Saginaw, Mich.

No businessman, of course, can definitely read the future, but if he is a careful student of business, he can learn to detect "trends up" and "trends down"—and intelligently decide when to step on the "accelerator" and when to step on the "brake."


R. Perry Shorts

I believe the final figures will show that American business broke all records in 1953—with highest wages, lowest prices in ratio to earnings, greatest abundance of the good things of life, and the highest standards of living. I also believe they will show that the pace slowed down considerably in the last half of the year. The question now is—will this current "trend down" continue into 1954 and, if so, how far will it go.

Everybody knows that heavy national defense spending in recent years stimulated business by at least 10 or 15%. We also know that the Eisenhower Administration's success in bringing about the Korean Armistice and continuing substantial cuts in government spending will correspondingly reduce this stimulation—for decreasing spending means decreasing business. I think we can logically conclude, however, that, barring war or other new money-spending emergency, American business in 1954 should be down not over 10% from 1953 levels—unless, of course, there is enough upsurge in civilian business (which I do not anticipate) to fill up the gap.

Bankers are very close to businessmen—and when they lend them money they become business partners with them. That is why they watch "trends" closely. They know that when business prospers, everybody prospers; and that any law that hurts business, hurts everybody—for everybody who works for a living is in business whether he knows it or not. And so bankers and businessmen speak the same language and feast or starve together. In fact, I heard of one bankrupt businessman who specified in his will that all of his pallbearers should be bankers, and when asked for an explanation, he replied: "Well, these bankers have been carrying me all my life and I'd like to have them finish the job."

My experience as a small-town banker tells me that it doesn't take much of a variation in the "ups" or

"downs" of business to spell the difference between a prosperity and a depression. All that is because our industries are dependent, one upon the other—"all bound round with a woolen string," whether we like it or not. Viewing it broadly, every citizen of every state benefits by virtually everything that is produced in industry. Production means prosperity—nonproduction means depression. You can't increase wealth by not producing goods—law or no law. A new ship in New York calls for a new warehouse in Seattle—and a healthy prosperity in Ohio or Kansas spreads its beneficent influenee all over our great country. Prosperity is contagious—and so is depression.

Some economists give us a hundred and one reasons why business will go down—fewer jobs, increasing competition, heavy overhead, reduced production, lower profits, etc.—but they all boil down to decreased spending. And others give us plenty of reasons why business will go up—lower taxes, more babies, continued inflation, low interest rates, etc.—but they all boil down to increased buying. In fact, I have come to have the greatest faith in the economist who tells you all he knows and then predicts—"The future is uncertain."

And so, after considering the whole picture, I am laying my own plans with confidence and pleasant expectations, for a good, busy, profitable year in 1954. I think the pace will be down somewhat—but still good.

LEWIS M. SMITH

President, Alabama Power Co.

We expect 1954 to be a good year in the area served by Alabama Power Co., with greater kilowatthour sales than in 1953. Early in the year 250,000 kilowatts of new generating capacity will be available for service from the company's Barry Steam Plant near Mobile. A new unit of 156,000 kilowatts is under construction near the coal mines of the company at Gorgas. The completion of this program will bring the installed capacity of the company to 1,536,000 kw., an increase of 741,400 kilowatts or 93% since the end of World War II.


Lewis M. Smith

In November the company filed with the Federal Power Commission an application for a preliminary permit to construct five additional dams on the Coosa River which would add initially 240,000 kilowatts at a cost of $100,000,000. We expect to go forward with the work when a license is issued by the Federal Power Commission and to complete the project within a period of 10 to 12 years. The company now operates on the Coosa River three plants with an installed capacity of 253,500 kilowatts. It also has 236,200 kilowatts of installed capacity in three hydro plants on the Tallapoosa River.

This proposed increase of 240,000 kilowatts is expected to supply only about 25% of the new capacity needed in the next decade. The remainder will be supplied from fuel-fired units, of which type the company has under construction 403,000 kilowatts.

Back of these demands for additional power is a sustained interest in the company's service area as a location for new industrial plants. Existing industries have expanded greatly as the demands for locally made products increased. Residential use of electricity continues to grow as more television sets, air-conditioning units and other appliances are installed. Due largely to air-conditioning load, our system peak now occurs in the summer months.

We see nothing ahead to indicate that our present rate of a doubling of load every ten years will not continue.

ROBERT B. SMALLWOOD

President, Thomas J. Lipton, Inc.

At about this time each year, the business atmosphere thickens with expert advice on the general economic outlook. Certainly 1954 is no exception. Whatever happens to dollar sales, record highs must already have been made in the volume of words and figures used by all the forecasters.


Robt. B. Smallwood

This great interest in trying to puzzle our future trends strikes me as a very healthy sign. It is probably true that the average businessman today is better informed on vital economic forces than were his predecessors. Yet certain questions continue to baffle us, dealing mostly with the attitudes and moods of the American public.

How confident do consumers feel as we enter 1954? Are they going to be willing to continue, or even increase, recent high levels of spending? It is on these important problems that I think we in business must be more alert than ever.

The mass of facts and figures already presented by leading authorities seem to indicate that 1954 will be a good business year. True, some declines from the pinnacles of last year are mentioned, and there are variations of opinion by specific industry. But the general consensus suggests that we might well experience the second largest year in our economic history.

The surprising thing is that a certain reluctance to believe in this optimistic view seems apparent on the part of some businessmen. Maybe their ability to predict consumer behavior is superior to ours. Or perhaps they just feel that enough is enough, even where prosperity is concerned.

My own conviction is that the new year can be big if we decide to make it so. This feeling is clearly reflected in the higher sales quotas agreed upon in our own organization for 1954. Definite instructions gearing all budgets to these goals have already been issued.

What it will take to win, for all companies as I see it, is convincing salesmanship of the highest order. Better goods and services for the money will not only be expected but demanded by our customers. This means that the selling job must begin in the laboratories and development centers of our plants. The American family is becoming a more discriminating buyer all along. Critical shortages are no longer a threat, and markets of plentiful supplies always cause higher standards of acceptability. However, adequate buying power will be available this year for useful products that represent real honest value.

I believe that people in the food industry are extremely alive to the current problems. Salesmanship in the new total sense has already caught on. More money is steadily being spent for product improvement. A stream of new items, developed on the basis of high quality, fair price and convenience is constantly flowing from the factories. The increased use of hard-hitting advertising and sales promotion ideas is plainly evident. New methods of cutting costs of distribution, both at wholesale and retail, are being found every day. All these activities, continued aggressively, lead me to believe that the food industry is heading toward another banner year in 1954.

DAVID E. SMUCKER

President, Detroit, Toledo & Ironton Railroad Co.

While there seems to be abundant evidence pointing to a moderate decline from the high level of business activity which apparently reached its peak in 1953, our plans for 1954 are based on a belief that it will offer traffic at much higher than normal levels. The physical plant of the railroad industry generally has been expanded and immeasurably strengthened through huge postwar investments in the most modern equipment and facilities. The Detroit, Toledo and Ironton has done its share in this regard but we feel that we have not yet begun to realize the full measure of inherent improvement both in service and cost levels which these investments ultimately will make possible. A short period of slightly depressed general business may well prove to be helpful in our never ending search for ways to do a bigger and better job at minimum cost. Very great progress has been made in the country generally in two important respects. First, and probably most important to our regulated industry, is stabilization of the purchasing power of the dollar; the second is found in recent evidence of restoration of true collective bargaining between the railroads and their employees, wherein we reached agreement with an organization which represents nearly half of our men in a remarkably short time and without governmental intervention of any kind. These two things alone can be of tremendous value to the railroad industry in minimizing the effect of over regulation.


David E. Smucker

With respect to excessive and outmoded regulation which has prevented application of ordinary business principles to railroad problems, 1953 saw publication of the report of the Transportation Association of America Cooperative Research Committee. This report combines the collective thinking of high level representatives of all kinds of transportation companies with the thoughts of similar representatives of companies—large and small—which use transportation and of representatives of investors in the securities of transportation companies. The report was in no sense and by its very nature could not have been dominated by the railroads, yet its findings highlighted the very things that railroad spokesmen have been emphasizing for several years. Amendments to basic regulatory laws recommended in the report will create an atmosphere in which the user of transportation may select the means which best suits his needs from a group of aggressively competitive agencies, each attracting the type of business for which it is inherently the best and cheapest.

With these recent important achievements behind us we face 1954 with calm assurance that continued progress will be made and that the railroad industry will prove that it is dynamic and alive—willing and able to compete for traffic and to win and handle this traffic on equal terms with all comers.

JOHN I. SNYDER, Jr.

President, Pressed Steel Car Co., Inc.

Historically, Pressed Steel Car Company, Inc., is a freight car builder. It was organized in 1899 as a consolidation of all the steel freight car manufacturing facilities in the country; it was responsible in its early days for putting all-steel hopper and box cars on the rails; and for nearly 50 years it continued to make practically nothing but freight cars.


John I. Snyder, Jr.

Today, the company presents a very different face—the result of a diversification program inaugurated in 1949, when Pressed Steel Car started moving into steel fabrication. More than any other factor, this diversification program colors the company's outlook for the coming year. The program has already paid off; in 1954 and ensuing years, it will pay off even more in higher and more stable sales and earnings.

The freight car business, to put it mildly, has a poor history. It has always been terriby unpredictable—liable to violent feast or famine sales fluctuations. Right now, a famine period appears to be getting started, with the outlook far from bright for the nation's freight car builders. Without diversification, Pressed Steel Car, too, would be facing a bleak year—it never used to be immune to the depressions that hit the industry with fair regularity.

Today, however, with less than 35% of total sales coming from feight cars, and with the remainder of its product base very broad indeed, within the framework of steel fabrication, the company is immune. Since 1949, it has added divisions that are now turning out petroleum equipment, engine lathes, aircraft parts, farm holding tanks (for the dairy industry's new milk collection program), industrial and residential steel tanks, electrical conduit fittings, stainless steel cookware, automobile bumper guards and accessories, and waste receptables. Pressed Steel Car also operates one of the largest tank and armored vehicle depots in the U. S., at Hegewisch, Illinois; and manages and operates a government ordnance plant—one of the most completely automatic factories in the country—at Rockford, Illinois.

Most of these new divisions are doing well. The most important of them all, Axelson Manufacturing, a 62-year-old West Coast maker of oil well pumping equipment, engine lathes, and aircraft components, has just finished a year in which its sales hit almost $25 million—more than double its average annual sales volume between 1942 and 1951; and the division's pre-tax net of $3,000,000 was also a record. The company's Hegewisch plant, in addition to its tank depot, is working on a $10,000,000 government order for heavy-duty, low-bed trailers and accessories. Other factors like the company's Chicago Steel Tank business, its Conduit Fittings Division, its Rockford Ordnance Plant (which it operates for the government), and its Solar-Erie Division (which is making everything from milk cans to automobile bumpers) are also growing.

The impact of all this is reflected, of course, in the company's current sales figures. Last year Pressed Steel Car established a record sales volume of better than $90,000,000—more than double its average annual volume over the past five years. Its net income after taxes is estimated at more than $2.5 million, compared with a 1951 net of $1.9 million.

These figures, however, are not so important as the fact that Pressed Steel Car can now look to the future with confidence—a future based on the idea and practice of diversification.

LEONARD SPANGENBERG

President, United Stores Corporation

In the minds of most businessmen, the year 1954 has more question marks facing it than any year over the past 10. In the early forecasts, I have read predictions ranging from dire doom to big boom ahead. In between, I have glanced at forecasts predicting a small drop in business to a gain of about 10%.


Dr. L. Spangenberg

One good thing about a new year is that we all start with a clean page, especially the forecasters. One bad thing is that judgment day is only 12 short months ahead. So here goes with the clean page, realizing that whether right or wrong we will all know after the twelfth page has been torn off our calendars.

Since my energies are devoted to the Variety Chain store end of retailing, I will give you my guess first on the other main branches. I feel the largest decline will take place in the Department Store field. This does not make me a pessimist, but a realist. With lower take home pay forecast for 1954, the higher price tags carried by these stores will make them feel the decline first.

The Mail Orders will be next in line of decline. They will also suffer from less overtime pay and a shorter work week. The grocery chains will do well to equal the high volume of last year. Drug chains will probably experience a small percentage drop in sales volume.

The sales of the Variety Chains should hold very close to the excellent levels of 1953. Even though many of

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the chains reported fractionally lower sales totals for last year, still the volume of business was at extremely high levels.

I predict that the highlights for next year for the Variety Chains will be four in number:

(1) Better Cost Control.
(2) More air-conditioning.
(3) Step-up in changeover to self-service.
(4) New color schemes away from the traditional red.

I do not have to dwell long on better cost control. Already a great deal has been done to watch p_yroll costs. In 1954, still more will be done to "fine-tooth-comb" every item of expense. Saving pennies will again be revived as a slogan.

Air-conditioning still has a long way to go. However, the installation of such equipment into more and more stores will be the prime aim of all the chains. The south will come first, but the north will by no means be neglected.

The lessons learned last year will be put to practical experience this year as more and more chains speed up the changeover to self-service. While payroll savings have been the big disappointment, greater sales volume and less cash shortage have been the bright spots.

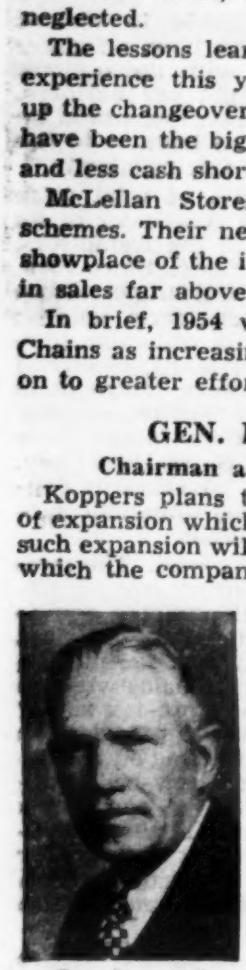
McLellan Stores have lead the field in new color schemes. Their new store at Pekin, Ill. has become the showplace of the industry. It has spelled dollar increases in sales far above expectations.

In brief, 1954 will be a good year for the Variety Chains as increasing competition will spur management on to greater efforts.

GEN. BREHON SOMERVELL

Chairman and President, Koppers Co., Inc.

Koppers plans to continue during 1954 the program of expansion which it started in 1946. Capital outlay for such expansion will be considerably greater than in 1953, which the company considered mostly a period of consolidating gains made in 1951 and 1952 and of putting into operation new plant facilities largely built in 1952.



Gen. Somervell

New Koppers plants which went into complete operation in 1953 included its first large petrochemical plant at Port Arthur, Texas, a new tar products plant at Fontana, Calif., the company's first on the West Coast, and a sizable addition to its polystyrene plastic producing facilities at Kobuta, Pa.

Also under construction at the year-end was a new plant for the company's Wood Preserving Division at Horseheads, N. Y., and this is expected to go into operation by mid-1954. Further expansion plans, primarily in the company's Chemical Division, are expected to be ready for announcement in the first quarter of 1954. The company's Chemical Division, formed in 1945, is its fastest-growing division. With production started at Port Arthur during 1953, it now has six plants.

Plans also have been announced for a large-scale development plant at the Division's Kobuta site and this is expected to be completed in 1954.

Koppers research and development program also has progressed well during 1953 and production of several important new products will be announced during 1954.

L. P. SPERRY

President, Scovill Mfg. Co.

The products of the brass mill industry are so widely integrated into the American economy that output in 1954 will necessarily reflect such developments in that economy as the new year may bring. At this writing the forecasts of the economists, who have been meeting in Washington, still are subjects for further study and interpretation.

L. P. Sperry

To the extent that the experience of a single company is relevant, it looks as though the period of adjustments to the armistice in Korea and to decontrols on the domestic front will not have run their course until well into the first half of 1954. It takes time to swing from the psychology of indiscriminate acquisition of whatever materials become available under controls and to start bringing inventories into balance and cut to size of current requirements. In this latter case an important consideration is the substantial cut in the lag between placing orders and getting deliveries, a factor which tends to throw on the intermediary and primary producers the burden of holding stocks.

Once the final kinks have been taken out of the industrial pipeline, production should flow again at or near its early 1953 rate. The end-demand for brass mill products will continue strong so long as our basic economy remains healthy and vigorous.

M. J. SPIEGEL, Jr.

President, Spiegel, Inc.

After reviewing sales patterns and trends in the past 12 months, and studying the factors that will influence business in 1954, there is reason to believe that retail volume for Spring 1954 will in general, be under the levels established in the Spring of 1953.

M. J. Spiegel, Jr.

This will be a product of the end in the Korean hostilities, the stepped-down military expenditures, the decrease in farm income, the slight rise in unemployment and the uncertainties that surround the adjustments made necessary by the general drop in the production index and the backlog of industrial orders.

These are the negatives affecting retail trade, but at this writing it would appear that their impact will not be drastic or sudden, and that the general level of business activity should remain relatively high.

Those producers and distributors who have remained efficient should have no difficulty in keeping thair operations on a profitable basis, even though there is a drop in the general level of business activity. The marginal producers whose operations are not always efficient, and who represent the potential over-production in the country, will find it increasingly difficult to match their 1953 results.

On the positive side of the picture, there is encouragement for the retailer in the strong consumer expenditures during December, 1953, in the tax reductions, and in the obvious determination of the Administration to bolster the economy.

Price levels are realistic, for the most part, and although the trend will probably be toward lower levels, the changes will be so gradual and the trend so slight that there will be no upset in inventory values—or consumer confidence.

If this analysis is correct, it would appear that 1954 will be a good year even though it will not measure up to 1953.

LAWRENCE F. STERN

President, American National Bank & Trust Co. of Chicago

First reports for 1954 show a continuation of the decline in business which was reflected in the Federal Reserve Board's index in the latter half of 1953. There is nothing concrete, however, to date to justify a forecast that production this year will be sharply lower than a year ago.

Lawrence F. Stern

We are not overlooking the fact that steel production is down somewhat, that securities of most basic materials have pretty much disappeared, that competition has returned—all of which will make the business situation different but not necessarily bad. Most businesses reached new highs in 1953; in many instances the results achieved were so phenomenal that it would not be logical to expect a continuation of this sharp rise throughout this year. We could very well have a decline to business levels of two or three years ago and still enjoy a prosperous economy.

Admittedly, a drop of this kind means some decrease in employment in certain industries, less days of work in many companies, and the elimination of much overtime pay throughout the country. This results in less buying power but with savings at an all-time high, it does not necessarily mean that retail sales will drop in a corresponding amount. At least, not unless we are headed for a protracted recession, which does not seem likely now.

While we are beyond the peak of government expenditures, on the other hand they will continue to be substantial enough to provide a cushion for business. The most disturbing factor in the probable decline in business this year does not seem to be the actual change in production levels (although they are important), but rather the possible effects on profit levels. With many costs frozen into the business picture through labor contracts, a large number of companies will feel the full impact of the increased competition. The battle, for instance, for the Automobile market between the Big Three is likely to press hard on net earnings and make even more difficult the position of the so-called "independents."

The outlook for construction and building looks quite good, much better than a few months ago. A number of industries, including the important public utilities still have big projects ahead. Home building should continue good, aided, perhaps, by increased government aid. Businesses are alert as is government to the possibilities of a decline this year, and are already taking steps to limit it. This should help.

In summation, while business will be down somewhat in the early part of 1954, especially when compared with the very high levels reached a year ago, we should still have a good degree of prosperity.

L. C. STOWELL

President, Underwood Corp.

Based upon the opinions of many economists, 1954 should be a good year. Based upon the majority opinion of 16 office equipment companies whose representatives attended a recent meeting of the Office Equipment Manufacturers Institute, it should be a better year than 1953 for the office equipment industry—nine said 1954 would be better than 1953, two said it would be equal to 1953, and five that it would be somewhat less in sales volume. My interpretation was that no one was extremely optimistic, but certainly no one was pessimistic.

L. C. Stowell

Speaking for Underwood Corporation, we provide some of the important tools with which business performs its work and keeps its records. Our products are designed for many essential purposes and services. There is little if any impulse buying of business machines. Such machines are bought strictly for what they can do.

Underwood Corporation just recently announced an entirely new standard typewriter, the Model 150. It is of completely new styling, has a most pleasing touch for the secretary, a very beautiful line of write, is convenient and efficient in every detail, and will give reliable service for a long period of time.

Similarly, we are announcing a complete new line of adding machines featuring quiet operation, increased speed and convenience of operation never before achieved in an adding machine. And the machines are pleasingly styled and colored.

We have also announced a new payroll accounting machine which is unique in feature, automatic to a degree never before attained, and a real pleasure to operate.

Progress is being made steadily in our tabulating machine division, and electronic computation seems to give unique opportunities for future expansion.

Not being given to prophecy, we shall take 1954 in stride, and believe that we are well prepared to take the best advantage of whatever level business in general develops.

GEORGE F. THURBER

President, The Second National Bank of Nashua, N. H.

Banking has concluded a very constructive and profitable year, and the outlook for 1954 is good. The quality of assets is excellent, deposits are high and earnings prospects are better than normal. Recent developments have produced many diverse opinions pointing out that we are headed for a stiff depression, a recession, or an orderly adjustment. The consensus indicates a continuance of the mild recessionary trend, which has been under way since the latter part of 1953.

Geo. F. Thurber

Since 1937, with few minor exceptions, we have been in periods during which production went to levels never before equalled with tremendous increases in incomes, prices, material shortages, spending, savings, etc. Everything "expended," including bank deposits, bank loans and bank investments. Whether recent trends in unemployment, lower prices, curtailed production and lower profit margins may mean distressed times or not, bankers and business men must proceed more cautiously during 1954.

To support a "guns and butter" economy, we have expanded production facilities for several years, and now that the government has announced less spending for defense, we will be able to produce greater quantities of civilian goods than the potential demand. Overproduction will mean greater competition in most lines of business at a time when break-even costs are at the highest points in history. Reduced volume of sales, accompanied by price-cutting, will be sufficient to change many profitable companies into unprofitable companies.

The most important earning assets of banks are loans and investments, and sizable losses are not expected during 1954. Large reserves for loan losses have been set up in recent years, which exceed substandard loans carried as assets. Moderately larger losses on loans may be expected during 1954 on loans to companies affected by competition, which have excessive liabilities, top-heavy fixed assets, swollen inventories or insufficient capital.

A slightly lower business loan demand will be offset by loans for tax payments in the first half year. A decline in corporate investment demand, will be offset by increased demands by public utilities, local and state governments and the Federal Government. The large cash surplus expected from heavy early tax payments will be needed to pay off approximately $6 billion of tax anticipation notes issued in 1953. These factors will maintain interest rates at current levels.

Were it not for the present policies of the Federal Reserve System and the Administration's promise to increase the money supply to combat deflation, I would forecast higher interest rates for 1954.

Loan and investment policies should not be established merely on the basis that the government will not permit

a depression to occur. Yet consideration must be given to the effectiveness of an increase in the money supply by the government in delaying readjustment. Federal Reserve open market policies were very influential during 1953, a year of extreme fluctuations in interest yields and prices of all types of government securities.

In summary, there will be increased competition for deposits and loans, greater risks in loans and investments and a moderate reduction in earnings.

WALTER J. TUOHY

President, Chesapeake & Ohio Railway

If one were to say the railroads did well in 1953, it would be the equivalent of a stamp of approval to a 4½% return on net investment in property. This is about what the railroads will earn in a year when most businesses that are on their own will be reporting two or three times those earnings.

Walter J. Tuohy

Of course looked at in the light of previous performances the results are greatly improved. We are encouraged to continue efforts towards correcting excessive governmental regulation and unfair subsidization of competing forms of transportation in the hope that a least a 6% return can be attained. And even 6% is well below the average earned by other regulated utilities.

The C. & O. continued its vigorous efforts at self-improvement during the past year. Extension of dieselization, increased centralized traffic control, improvement of yards and promotion of diversification through industrial development and other means were part of this program. Although the C. & O. still continues to be the nation's largest coal carrier, merchandise freight now accounts for about 50% of our total freight revenues, compared with 30% a little over a decade ago.

The year 1953 saw some leveling off in the downward trend of coal production. The 10% drop in coal originating on the C. & O. was due almost entirely to the expected decline in export business. Excluding this export coal, the volume has remained virtually the same as in 1952.

The major part of our postwar-improvement program has been completed. C. & O. plant and equipment are in excellent condition. Passenger service is now 100% dieselized, switching service 95%, and freight service 88%. Bad order cars are down to a low of about 2%, compared with an average of 5% for the industry as a whole. High standards of roadway maintenance have been continued and we have no deferred maintenance.

The coming year will see further advances in all of our activities. Long-range projects such as operations research and application of electronic computers to railroad operations will some day make important contributions to the C. & O.'s earning power.

The results of this improvement program are clearly evidenced by the fact that C. & O.'s earnings will be better than 1952, despite the lower revenues brought about by the anticipated lower export coal shipments.

Many shipper and professional economists view traffic for 1954 in the general range of 5% to 10% below 1953. While this would not be a boom level, we believe it can be a healthy level. And with its plant equipment and employees keyed to a very high state of efficiency, C. & O. can adjust to such change in the national economy.

Whenever problems become complex it is sometimes good to go back to fundamentals. On the C. & O. we are going back to our ABC's in 1954 in our efforts toward self-improvement. Here they are:

(A) **Act Now.** There has been too much talk and not enough action in carrying out new and progressive ideas.

(B) **Business and Education.** A unique program, started at The Greenbrier Industry-College Conference last November, highlighted the mutuality of interest between these two groups. We intend to make full use of these opportunities to develop better trained personnel for the railroad.

(C) **Courtesy**—too often overlooked in our industry—shall be our byword in 1954.

(D) **Dividends.** In paying our 169th dividend we have built an invaluable record which we are determined to continue.

(E) **Efficiency.** Our "inside efficiency engineering" program of tapping the latent inventive talents of our employees will be continued and expanded. Dramatic results are expected from this program. An example was the more than a half-million dollar annual savings which will be achieved by our employees' modernization plan for our Huntington, W. Va., shops.

It will be largely through such efforts that we will expect to improve C. & O.'s economic position in 1954, provide more stable employment for our employees, give better service to our customers, and continue good dividends for our stockholders.

L. PAUL TULLOS

President, The First National Bank of Beaumont, Tex.

Businessmen and economists for many years have followed the practice of pausing at year's end to "take stock," both from the standpoint of physical inventory and from the broader viewpoint of surveying accomplishments of the past year and appraising the outlook for the year ahead. This is a worthwhile practice, for it causes us to make some analyses which we might otherwise fail to do.

L. Paul Tullos

In "taking stock" of 1953, it is significant to note that the dollar value of the nation's total production of goods and services was up about 5% over 1952 to a record total of approximately $368 billion. Many economists regard this gross national production as the most reliable single index of the state of the nation's business. If this be true, then 1953 must be regarded as one of the best business years in our history, but there are certain observations which should be made about 1953 before we can look forward to 1954 with any degree of accuracy. The first observation which should be made is that the record gross national production of 1953 was heavily influenced by a very active economy during the first half of the year, with an apparent slackening and leveling off taking place during the six months just past. Sales of both durable and nondurable goods at the manufacturing and distributing levels tended to lag during the last half of 1953, and production in several lines was moderately reduced. Inventories crept up to a troublesome level in certain durable goods, such as appliances and automobiles.

A second observation about 1953 is that although industrial employment turned slightly downward at mid-year, unemployment at year's end was still very low; and the slight national downward trend in employment at mid-year had no serious adverse effect in this industrial area of Southeast Texas.

Of extreme importance to the petrochemical and refining industries of Southeast Texas, is the national consumption of petroleum and petrochemical products. Our economy has felt the stimulation of a new national record high of consumption of such products, and consequently these great industries still continue to expand on the Texas Gulf Coast.

Final favorable settlement of the tidelands issue should bring an increased tempo in offshore drilling activities. This type of drilling on a large scale requires very large capital outlays for drilling barges and marine drilling equipment. Already research and development divisions and top management of our shipbuilding industries are busy meeting this problem.

Agricultural production in Southeast Texas in 1953, rice being the predominant product, was very good, with prices fairly firm. This section of the state was not as hard hit by drought as in Central and West Texas. Livestock production declined slightly under lower prices, and this was a big factor in the approximately 10% drop in agricultural income in the Southwest as a whole.

Construction in Beaumont, Texas, and vicinity was at a high level during the past year, and building activities are expected to continue at a strong pace during 1954. Completion of new dock facilities in December marked an important step forward for the Port of Beaumont.

After a slow start in the early fall, retail sales buoyed up; and December business was very good throughout this area. Inventory readjustments must be made in some of the hard lines, particularly appliances and automobiles.

Demand for loans has continued strong, and deposits are holding up very well. Probably the best way to sum up the state of business at the present time is to say that we are experiencing a mild readjustment following the longest boom in our nation's history, and this mild readjustment is expected to continue into 1954. However, the basic strengths are still present in our economy, and there is nothing apparent on the horizon with which sound planning and hard work cannot cope.

ARNULF UELAND

President, Midland Nat'l Bank of Minneapolis, Minn.

During the past year the Upper Midwest and the Nation as a whole have enjoyed the highest level of production and income in history. This prosperity has been quite general, although there have been exceptions, especially those related to the surpluses and declining prices of agricultural products, which have made farmers more cautious in buying. There has been practically full employment, a record level of personal income, ample credit, a stable price level and plentiful supply of almost all goods and services.

Arnulf Ueland

Toward the end of the year there were signs that the high rate of business activity has passed its peak, and this has resulted in many predictions of an economic recession of about 5% in 1954. Whether these predictions materialize or not, there is no good reason for an attitude of pessimism or alarm. We have had stiff and almost continuous inflation for a period of years and a leveling or moderate downturn of the nation's economy is both inevitable and desirable.

Although 1954 may not be as good a business year as 1953 there is every reason to expect that it will be the second or third best in our history. The prospect for peace is improved and employment and personal incomes are at record levels. A reduction in taxes should add to already high purchasing power. A stable financial condition, ample credit, and sound money policies seem assured. Present conditions warrant an attitude of confidence, and at the same time call for an intelligent, critical and aggressive review of every business operation to assure control of costs, efficient production, careful appraisal of markets, and effective merchandising.

The outlook is good for those ready and able to work, produce and serve, and thus take their part in the competitive enterprise system that gives us the highest standard of living in the world.

CARL W. ULLMAN

President, The Dollar Savings & Trust Co., Youngstown, Ohio

The year 1953 brought a reversal in the trend of the money market. The rise in interest rates in the early part of the year tended to approach a condition where confidence in even the highest grade of securities was lacking. The reversal as set in about mid-year will likely carry through 1954 but at a somewhat more moderate pace than that experienced in the last three months of 1953.

Carl W. Ullman

It is natural to expect that business will experience a period of adjustment following the inflationary effects of recent years but we need not, in my opinion, look forward to a serious business disturbance. We may see a temporary halt in the establishment of new business records, business will become more competitive, operating costs will be under closer examination and control. Better attention will be given to the collection of receivables and to the inventory position. These efforts in themselves will be sound for business and should tend to limit the effect of a decline and make for economic stability. The products of scientific research are creating new horizons for living. This fact combined with a growing population gives assurance that within a reasonable time business again will resume its upward trend.

Our tax burden will remain heavy, for our defense outlays must continue to be large until the problems of the European countries and of the Near and Far East are solved.

We need to be willing to work, venture within calculated risks and save so that we shall have the means to assure future growth and prosperity. We need also to have confidence in our political and industrial leadership.

W. H. UPSON, JR.

President, The Upson Co.

With a decline in defense and military orders following the cease fire in Korea, The Upson Company concentrated on the development of new industrial outlets in 1953 and showed a substantial gain in that field as well as maintaining a steady flow of laminated panel shipments to builders, both conventional and prefabricators.

W. H. Upson, Jr.

New housing construction continued at a steady pace while the repair and remodeling market improved considerably and is expected to gain momentum in 1954. Housing starts in 1954 are expected to approximate the same figure as in 1953 when the total exceeded 1,000,000 units.

As was the case with some other manufacturers this past year, continued high taxes, high prices for raw materials and high wages made it difficult to maintain the same level of earnings as in some previous years. However, Upson was able to make a reasonable return to stockholders and dividends for 1953 totaled $1.30.

We now have a buyers' market instead of a sellers' market and there is an increasing demand for quality products. Upson placed greater emphasis on its research and development laboratories and quality control program. Through research, we have developed and marketed three new products which have met with consumer acceptance: All Weather Sheathing for farm, industrial and service buildings as well as homes; Striated Panels for decorative effects, and perforated Peg-It Panels for displays and scores of home and business uses.

Upson's research program developed a revolutionary dimensional stabilization process which has had a strong impact on the construction industry. This process either diminishes or eliminates expansion and contraction of wood and other cellulose fibre materials occurring due to changes of humidity in the atmosphere. Its worth and significance is expected to be realized even further in 1954. Three patents on the process have been issued and applications for other patents are under consideration by the government.

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S. M. VOCKEL

President, The Waverly Oil Works Co.

The petroleum industry today is plagued, the same as other industries, with excessive production—not only in this country but the other oil producing areas throughout the world, excessive processing on the part of refineries, and excessive inventories.

Inventories, as of Dec. 12, 1953, of crude oil above ground and four of the principal refined products amounted to 640,949,000 barrels—an increase in the past 12 months of 52,635,000 barrels, equivalent to an increase of 8.9%.

In the production division of our industry, Middle East crude has supplanted domestic crudes and residual fuels by almost one million barrels daily. This has considerably curtailed domestic production and resulted in proration throughout most of the major oil producing states, with Texas producers bearing the brunt. Undoubtedly this will be the subject of Congressional inquiry and the possibility of legislation regulating the importation of foreign crudes based on domestic requirements.

The petroleum industry as a whole, notwithstanding the above statements, is in good condition to meet any recession in business. But in the words of one of our prominent operators, such conditions require qualifications as outlined in his message—

"Competition is tougher . . . but nothing to be sad about . . . it is out of competition that growth comes. It forces us to be efficient . . . to develop greater product quality and better services . . . to new operating methods . . . new ways of thinking and doing. It is the reason that the United States has outstripped the world. Supply at present is in excess of demand, and contributes to the increased competition."

J. B. WARD

President, Addressograph-Multigraph Corp.

Economists seem to agree that the pattern for 1954 will be different from that of the boom years. Many predictions employ such expressions as "leveling off," "orthodox recession," and "adjustment"—which means, in all probability, the overall economy, may settle with the new year at a discount of a few percentage points below 1953 figures. For this reason, there is a lot of talk today about competition and competitive markets.

J. B. Ward

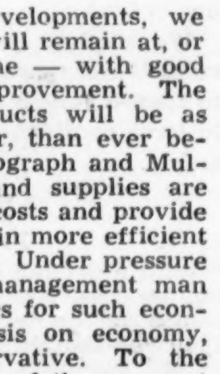
Regardless of developments, we feel that our sales will remain at, or near, current volume — with good possibilities for improvement. The need for our products will be as great, if not greater, than ever before. Both Addressograph and Multigraph machines and supplies are designed to reduce costs and provide controls that result in more efficient business operations. Under pressure of prospective lower volume, every management man is being forced to seek out opportunities for such economies in operation. With the emphasis on economy, however, buying practices go conservative. To the salesman, an unwillingness on the part of the prospect to spend dollars—plus his assiduous scrutiny of all capital investments—are the signals of a "show me" market. The true salesman, therefore, realizes that the climate of his possibilities has changed from one of orders easy-to-get to one of orders he must work to close. He is back to his traditional role of creating demand where need exists.

The situation, to our way of thinking, is healthy because it is closer to normal. Today, the business executive not only demands proof of profits before investing —but he responds to it. He is not interested in unsupported statements. When these facts are recognized and exploited, buyer resistance fades. The field of competition narrows as the pace stiffens. For the company with good products or services, with sound fiscal and merchandising policies, and, above all, with strong, adequate sales power, 1954 should be—can be— one of the "best" years.

HON. SINCLAIR WEEKS

Secretary of Commerce

The American people should have a happy new year. The outlook is bright for a high overall level of jobs and business activity and for an abundance of newer and better products at attractive prices. For months business has anticipated temporary adjustments. Many already are over and others will be dealt with as we move ahead. The Administration will continue its policy of encouraging economic stability and growth and of preparing measures for prompt use whenever or wherever required.



Sinclair Weeks

Though 1954 may not equal the all-time record boom of 1953, known conditions and foreseeable prospects offer sound reasons for continued realistic optimism that it will be among the better years of economic history.

Americans have been wise enough to create our unique private competitive enterprise system, unlike any in the world. Their qualities of spirit—vision, diligence and optimism—have energized that system to develop the highest standard of living on earth.

No one can contemplate this nation's intrinsic power—as ambodied in its natural resources, industrial know-how, machine energy, limitless products, increasing aspirations, growing population and spiritual might of its enterprising people—without abiding faith in America's future. Our best days are yet to be.

With such a long range view in mind and with hope in our hearts that the atom peace sought by President Eisenhower will approach closer as the new year advances, we can face the days ahead with the strong confidence that always has been a distinguishing trait of Americans.

Record Prosperity in 1953

All Americans will take pride in the achievements of our national economy in the year just ending. The gross national product for 1953, measuring the market value of all goods and services produced, totaled $367 billion —the highest on record.

This was the response of business management, labor, farmers, and investors to the unprecedented demands stemming from our high standard of living, from the external threat to the nation's security and from our responsibilities abroad.

The 1953 national product was 5% larger than that of 1952. After allowance for price changes, the physical volume increased 4% to continue the steady postwar growth in the yield from the nation's resources.

During the first half of the year business activity was accelerating too fast to be maintained indefinitely; hence in the second half there has been some easing off from the production peaks reached earlier. Most of the readjustment has been associated with the elimination of an exceptionally fast rate of inventory growth. Notwithstanding the cutback in inventory accumulation, the national product in the final quarter of the year was above the closing period of 1952.

The amount of our national product devoted to national security purposes during 1953 was the largest since World War II. Total goods and services worth nearly $52 billion were purchased by the Federal Government to promote the security of the nation; this was approximately 6% more than in 1952. Goods and services channeled directly into national defense increased 7% in value over the preceding year while the category of "other national security," consisting chiefly of foreign economic aid declined somewhat.

After meeting the requirements for national security, we were able to devote part of the increase in our output to the satisfaction of personal consumption requirements. Consumers purchased goods and services in the amount of $230 billion during the year as compared to $218 billion the year before.

This was an increase of 5.4% or, after allowing for slightly higher prices, 4% in physical quantity. In quantity terms, consumers bought 2½% more food and other nondurables than in 1952, 3½% more services of all kinds and nearly one-eighth more durable goods.

This adds up to an average increase in physical units consumed of more than 2% for each person in our expanded population during the year. Thus after meeting the scheduled national security requirements for the year, we were able to lift the national average level of consumption.

But much more was achieved. A substantial addition was made to the nation's stock of productive capital. For example, about 1.1 million new permanent nonfarm dwelling units were added to the stock of residential housing; this made the number of units built in 1953 the third largest in our history.

On the basis of recent trends in household formation, the number of dwelling units built was fully large enough to take care of population growth and beyond that to make some improvement in the average quality of the existing stock of dwellings. Record-breaking amounts also were invested in motels and other nonhousekeeping units and in additions and alterations to existing residences.

Private construction other than residential continued at near record volume, aggregating about $11.7 billion for the year. Public utility, commercial, religious, social and recreational building remained unusually active.

Business expenditures for plant and equipment amounted to nearly $28 billion in 1953. This was the largest amount ever invested in one year and, after allowance for price change, appears also to have been the greatest in terms of physical units installed.

New manufacturing plant and equipment was valued at $12.4 billion as compared to $12 billion in 1952. Plant and equipment installed in mining, costing $890 million, and in transportation, valued $2.7 billion, was less than the high totals set in previous postwar years. Expenditures for new plant and equipment for public utilities, totaling $4.5 billion, exceeded those for any previous year on record, while outlays for commercial and other types of enterprises, amounting to $7.3 billion, were just under the high set in 1947.

Businessmen also added substantially to their inventory investments during the year, the value of the increment amounting to somewhat more than $4 billion. After the period of scarcities and shortages accompanying the defense build-up, management brought stocks of goods to a position ample to support current requirements. In the latter part of the year cessation of inventory accumulation led to a reduction in production rates in some lines.

The nation's productive resources continued to expand in 1953 and aside from the war years, were as fully employed as in any previous year of prosperity. The number in the civilian labor force reached a 12-month average of 63.4 million persons. Of these an average of 61.9 million civilians were employed, a figure which stands as the highest annual volume of employment in the records, while average unemployment of 1.5 million was lower than ever before except in World War II.

These workers, using more and better capital equipment, turned out, as previously indicated, the largest annual volume of output in our history. Supplies of materials caught up with requirements and shortages, with a few exceptions such as titanium, disappeared.

The flow of personal income to our people amounted during the year to $284 billion, a sum 5% larger than the previous record established in 1952. After allowing for personal tax and nontax liabilities to government of $36.6 billion, $2 billion more than the year before, disposable personal income of $248 billion was also the largest in our history.

All major types of personal income rose except income of farm proprietors, with wage and salary disbursements totaling almost $198 billion, or nearly 8% above 1952. Farm proprietors income, at $12 billion, was lower for the second consecutive year.

The demand flowing from this purchasing power met an equal volume of output in our markets. Price level movements were accordingly largely stabilized with the divergent movements of various types of goods and services characteristic of a flexible economy virtually canceling each other out.

Our Economy as New Year Begins

Taking stock of our position at the year-end, the following facts stand out:

(1) We are now a nation of 161 million people as compared to 158½ million a year ago.

(2) The personal income of our people is at the seasonally adjusted annual rate around $285 billion as compared to $281 billion last December.

(3) In the year ended Sept. 30, our people added $25 billion to their holdings of liquid assets, according to the Securities and Exchange Commission. This new savings brought their accumulated liquid assets holdings to approximately $375 billion, exclusive of personal holdings of corporate securities.

(4) Inflation has been slowed almost to a stop. The latest consumer price index of the Bureau of Labor Statistics for the month of November showed a decline from October and was less than 1% higher than the corresponding month last year.

(5) The aggregate stock of capital equipment installed in our industries and on our farms is the largest and most efficient in our history. The record breaking quantity installed in the past year replaced large numbers of obsolete or worn-out machines with ones of improved design and, in addition, added many other new machines and items of equipment to increase the net stock.

By thus lowering the average age of the individual units composing their total stock of capital and increasing the proportion equipped with the latest technological improvements, producers substantially raised the average level of efficiency.

(6) The price, wage, and production controls in force a year ago have been eliminated. The result has been to enhance both the economic freedom of the individual and the efficiency of the productive system.

(7) Consumer purchases of goods and services have continued high throughout the year, resulting in a further addition to the stock of consumer durables which contribute so importantly to the high standard of living of the people of this country. Sales of all retail stores amounted to about $171 billion in 1953 as compared with $164 billion in 1952.

With our human and capital resources larger and more efficient and our income higher than ever before, with the restoration of economic freedom, the nation is more productive and more powerful than ever before.

Notwithstanding these achievements, it is well to recognize the importance of maintaining the growth of the economy in the future. We should appreciate that short-run difficulties may arise in maintaining a suitable balance between our ability to produce and the demands of consumers, business, and government for the output of the national economy.

Should fluctuations of undesirable magnitude materialize, however, we may be confident that we shall not be taken by surprise and will take necessary, timely action to cope with the situation.

All of these many factors—record attainment in 1953, present awareness of both "soft spots" and strong points in our economy, momentum of current business activity, high overall level of employment, plans in effect and in preparation for accelerated progress in various fields, faith in the long-range future of our country, hope for the dawn of enduring peace—inspire realistic confidence as the New Year begins.

L. L. WHITE

President, The New York, Chicago & St. Louis Railroad Co. (Nickel Plate Road)

Cutbacks in government defense spending will bring about some readjustments in business activity in 1954, but there appears to be no reason for pessimism. These readjustments, long predicted in some quarters but rather late in developing, are expected to reduce rail revenues in the coming year. This loss of revenue is bound to further depress rail earnings which, is 1953, brought a return of only 4¼% on the railroad's investment in transportation property.

L. L. White

The changeover in production from defense items to civilian goods might be expected to result in a greater decline in business activity, were it not for the nation's rapidly expanding population. Because of the increase in population, the building industry anticipates a year of construction almost equal to that of the past year. Railroads will share importantly in the transportation of materials for this construction and of equipment for new buildings.

A sharp decline in carloadings, which developed in the final quarter of 1953, had its genesis in the automotive industry and its effects were promptly felt by steel makers. Carloadings late in the period dipped more than 15% at times when compared with 1952, but this lower volume of business is not expected to continue after the new year gets underway.

Nevertheless, the decline in revenues from 1953 will require more aggressive selling of rail services. It is likely that the coming year will produce the strongest competition which the transportation industry has yet seen:

The nation's railroads are in a favorable position to meet the new competitive situation. Each year since World War II, rail carriers collectively have spent more than a billion dollars to improve their properties in the interest of providing better service. The Nickel Plate alone has spent $168,000,000 in the past 13 years to modernize and improve its facilities. Additional improvements constantly are undertaken in order to keep the system in the best possible condition.

As the railroads embark upon a highly competitive year, there are some encouraging indications for the future. It appears more likely that legislation to permit carriers to adjust rates during periods of rising or falling costs will be enacted. Legislation already passed in some states and proposed in others is expected to reduce some inequities in competitive transportation which now exist by reason of subsidies to trucks, airlines and waterways.

CHARLES DEERE WIMAN

President, Deere & Co.

Softening of the farm market during the past year is definitely reflected in selective and seasonal buying by farmers. Farmers are most selective in their purchases, and are inclined to expect machinery to be available with their local dealers at the time they are ready to use it. This selective, seasonal buying, however, approaches the more normal buying habits of farmers and is certainly nothing to cause alarm. In fact, it prefaces an era of competitive selling, which is a part of the American way of life.

Charles D. Wiman

Farm labor is scarce and high-priced and, when coupled with softening farm commodity prices, makes cost-reducing farm machinery all the more important. Farm machines are the machine tools of the farmers and, in such a squeeze of high labor costs and lower commodity prices, they must produce their commodities at the lowest possible cost—which makes modern machinery a "must." We are most conscious of our responsibility to keep pace with modern agriculture and our designers and engineers are constantly working to perfect quality farm machinery to meet the rapidly changing needs of farmers.

It appears that 1954 will be a good year, although not up to the records of recent years.

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The Credit Outlook

before starting out on a new course. I am sure you are all aware of certain broad trends in the expansion of credit; that after an extraordinary rise of $6½ billion in 1952, bank loans did not undergo their normal seasonal decline in the first half of 1953. Then, having held to an exceedingly high level in the first half, they failed in the second half to match the advance we had come to expect from preceding years. Today, bank loans remain at very high levels. Yet there appears to be a note of uneasiness on the part of some commentators as they view the record—as though they had somehow expected that the steep rate of expansion that prevailed from 1950 through 1952 would hold indefinitely.

I must confess that I am not among those who are uneasy. Nor do I believe that there is cause for undue pessimism in the events of the past several months. Let us look at some of the details as to what has happened.

First, while final figures are not yet available, it appears that total bank loans at the end of 1953 will exceed the Dec. 31, 1952, figure by over $3 billion—an increase of about 6%, which is substantial, to say the least. Secondly, trends in the last several months have been mixed. Loans to wholesalers and retailers moved seasonally higher, but to a smaller extent than many lending officers apparently had anticipated. The same is true also for loans to food, liquor, and commodity dealers. But loans to producers of metal and metal products have moved down somewhat, as is also the case with bank credit extended to the sales finance companies. Finally, such basic industries as oil, gas, coal, and chemicals, as a group, have not called upon the banks for larger credit.

What can we make of all this? I would venture to suggest that it points to a return to a less hectic pace throughout our economy, and not a great deal more. Moreover, from the standpoint of banking, this gathering of breath has aspects that we might welcome—a fact I want to enlarge upon a bit later.

When we look about us, there are certain clear signs as to what is happening. We know, for example, that many businesses are not adding to their inventories as they have in the past several years. This leveling off, and even in some cases reduction of inventories, is not an unusual process. On the contrary, it is a development that we might expect, with supplies more readily available, more normal business, and in many cases a lower price level. Under such circumstances, the lessened corporate need for bank credit is obvious.

With a large portion of our agricultural products selling around the support price, the Commodity Credit Corporation, through its operations, has been financing inventories which normally would be carried by the commodity merchants together with the processors and manufacturers of agricultural products, who generally are great seasonal users of credit. This, coupled with a lower price level for farm products generally, is undoubtedly the most important factor responsible for the less-than-seasonal rise in bank loans during the fall.

Then again, certain industries, presently experiencing a keen competitive market, at last appear to be returning to a more seasonal pattern dictated by the nature of their business. The automobile industry is outstanding in this respect. Some of us may have forgotten how this industry in prewar days slowed down at the time of model-change-overs. As automobile manufacturing slows down, a host of other industries slow down with it. These movements in recent months also have left their mark on the demand for credit.

Increasing Use of Commercial Paper Markets

One further factor having a direct bearing on the lessened loan demand from banks is the increasing reliance upon the commercial paper market by corporate treasurers for the placing of funds for which they have no immediate use. With the decline in the interest rate on Treasury bills, this trend increased; and, while the actual figures are not available, it is safe to assume that corporations now hold a very substantial part of the more than $2 billion of commercial paper presently outstanding. The larger finance companies have been particularly active in placing their paper with corporations, which undoubtedly accounts for much of the drop in loans by banks to this group. It is important to note that commercial paper outstanding increased by over $300 million during the year 1953—and is now more than double the total at the end of 1950.

All this leads me to believe that when account is taken of all factors, the advance in the overall volume of credit in 1953 may have been more in line with expectations than is generally recognized. What has occurred is some shift in the source of credit, as a result of which both the government in the form of the Commodity Credit Corporation, and corporate treasurers have played a relatively large role. These activities did not prevent bank loans from expanding, but it is obvious that they did hold such expansion to a smaller volume than might otherwise have occurred.

Credit Expansion in Postwar Period

In order to place our position in full perspective, it is helpful to look back on the whole scope of credit expansion in the postwar period. At the end of 1953, the loans of all commercial banks totaled approximately $68 billion. This represents a 50% increase from the middle of 1950 when the Korean War broke out and is double the loans outstanding at the start of 1946. The ability of the banks to meet the credit needs of business in this expanding period is indeed a remarkable achievement and one that illustrates the inherent strength and adaptability of our free competitive banking system. Yet this expansion has not been accomplished without some difficulty. For example, during this period, bank earnings have been severely limited, for a variety of reasons with which you are all familiar, with the result that capital accounts of banks in general have not kept pace with their overall growth. Thus, the loan volume in relation to capital funds has changed materially during recent years. For the banking system as a whole, it was not too many years ago that loans were no more than three times the total capital, surplus, and undivided profits. By the start of the Korean War, however, loans had risen to the point where they were four times the capital funds of the banks; and today the ratio stands at approximately five to one. In view of the nature of loans which banks presently carry, I do not feel this ratio is cause for concern; but I mention this chiefly to emphasize that by past standards, bank loans today are substantial.

Bank loans are substantial in still one other respect—one that needs to be rectified promptly. Today we hold far too few reserves for possible bad debts in view of our large volume of loans. In this matter, we have been badly handicapped by our inability to set aside from earnings—before taxes—an allowance for reserve for bad debts which is in any way adequate. The American Bankers Association has a special committee that is working very actively on this problem, and I am delighted to hear they are making very real progress.

The Immediate Future

So much, then, for the present and the recent past. What about the immediate future Future loan trends, of course, will be governed in a large part by the level of business activity in the months ahead. Here I have no desire to engage in the fine art of business forecasting — that would trespass on the grounds of Mr. Hoadley, who will tell us something of the economic outlook at our meeting on Wednesday. Yet I believe you will gather from what I have already said, that I am no pessimist. Quite the contrary. We all recognize that business is no longer in a phase of great expansion. But we are sometimes prone to forget that there are still significant elements of strength in our overall situation which have a bearing on both business and loan activity. Let me quickly recall a few of these.

First, one of the major supports of high industrial activity has been the heavy investment by business in plant and equipment. All signs point to very little decline in such spending during the current quarter. Surveys of capital budgets for the year suggested that downward adjustments later in the year are likely to be minor. Such a program tends to increase the volume of business in a variety of lines and so directly influences the demand for loans.

Again, we read much of substantial changes that are due to occur in military spending. While we certainly all hope for readjustments in our total pattern of spending whereby military outlays will be less prominent, the fact is that such outlays in the next six months will not be changed greatly. This produces a further element of stability in the business and loan picture.

Then I believe I should also mention the tax changes which have occurred only recently. These act to improve the incomes of both individuals and corporations. Of course, one result may be to increase the liquidity of some corporations and thereby decrease their need for bank credit. Yet I am confident that these tax changes will so work to improve business generally that on balance more and not less loans will be needed.

I could go on and describe other sources of strength—the $200 billion of liquid assets held by consumers, the strong underlying demand for construction, the rapid growth of our population, and the dynamic nature of American industrial leaders who are always turning out new and improved products. They all add up in my mind to a level of business that will continue to be high, even though less so than under the full momentum of the recent boom. Under these circumstances, we can expect our loan activities to remain in very good volume.

Government Getting Out of Banking Business

It perhaps is appropriate at this point for me to comment on one other series of developments that affect our loans — developments that reflect a change of policy by the new Administration in the Federal Government. On the whole, it is the policy of the new Administration to get the government out of business wherever that is possible—a policy which we have long felt should be instigated for the good of our overall economy and which we should support in every way possible. Controls have been abandoned, the Mississippi barge lines have been disposed of, and the synthetic rubber plants are to be sold; and in the field of banking, the Reconstruction Finance Corporation is being liquidated. Moreover, governmental agencies are turning more to private banks for assistance in financing. The Defense Department's policy of encouraging manufacturers to arrange more financing on their own is a case in point.

This constructive program is all to the good. But with it goes a very real responsibility for all to assist in every way possible on this return to private enterprise of the activities which properly belong to it. In this regard, I cannot help but single out for special comment the activities of one agency in Washington, for they run counter to the Administration's program of divorcement of government from business and banking. I refer to the Small Business Administration, which is actively encouraging banks to use their guaranty on loans up to $150,000.

Now this is a strange action for this Administration with its philosophy. The Reconstruction Finance Corporation handling big loans is out. The Small Business Administration handling small loans is in. Why? It would look as if the Administration felt or feared that our banking system was not caring for the little borrower. In this I am sure they are wrong, and that there is no sound

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The Credit Outlook

reason for the guaranty arrangement of the Small Business Administration. If banks are not going to accept the risk and responsibility for their own domestic loans, small and large, there is little excuse for their existence. If the risk is greater than is warranted for a loan, we have no right to ask the taxpayer, through governmental guaranty, to assume it.

Indeed I would say there is only one general circumstance under which the risk of financing should be carried by the government. This is in instances connected directly with national defense, and where the large amount of credit needed in relation to capital, or the limited experience of management, makes the risk too great to justify a bank loan. Here there is an overriding need for the product, tied to our national security; and the government is justified in assuming the risk.

Responsibility of the Banks

Beyond this it is the responsibility of our banks to see that all worthy business, whose management has integrity and ability, is provided with proper loans. The banks of the country have had an excellent record in fulfilling this function in the past, and today our banks are better organized than ever to meet all worthy credit needs. Here I might mention, in passing, that one aspect of the banking organization which adds considerable flexibility to lending is our present system of correspondent relationships. The effectiveness of this system has been greatly enhanced in the past several decades by improved transportation and communication. Today it gives us a vehicle for promptly and intelligently handling all kinds of banking requests. For example, as one illustration of the adaptability of this system, you may recall that the Chase National Bank in 1950 offered a plan to all its correspondents whereby it would undertake to participate up to 90% in any loan of $25,000 or less which the correspondent wanted to make, the proceeds of which were to be used for commercial purposes. Actually, the response to this plan showed that very little help in this field was needed, yet today the Chase Bank continues to be anxious to help its correspondents carry excess loans, whether large or small. We know for a certainty that our own policy in this regard is one which is shared by city banks throughout the country.

In these circumstances, and in view of the announced policy of the Administration to get the government out of business wherever possible, I would hope that the Small Business Administration would move with great care and great caution. It has the experience of the Reconstruction Finance Corporation as a grave warning. We all observed how that agency mushroomed to a financial octopus whose tentacles reached beyond the furthest stretch of the imagination of its original sponsors. The history of governmental agencies is one of continuous expansion; and when this involves concentrating the power of lending in any unit which is subject to political influence, the danger is indeed very great.

Now I should like to turn to certain other aspects of "The Credit Outlook"—to a consideration of some of the problems and some of the opportunities that are likely to face us with more normal times. Consider first a few of the problems.

It may well be that some of our customers will feel the pinch of less prosperous times in coming months, and by the nature of their business be forced to make readjustments which will take time. Banks have gone through periods such as these may times before —in fact, substantial readjustments took place in some industries during the past year.

As experienced lending officers well know, the readjustment period is a time when customers need guidance, constructive help, and mutual understanding. Moreover, the record shows that when commercial borrowers are treated in such a manner, there may be periods when renewals are necessary beyond the original estimate, and even additional funds may be required. Yet wherever there has been intelligent cooperation, and at times a good deal of courage, the losses to banks on business loans have been negligible. By the same token, the benefits to the customers, the community, and the bankers have been very real. It will pay us manyfold, then, to follow a program designed to help our customers over the rough spots wherever possible.

These sentiments, I appreciate, are hardly new to any of you here. Yet they may bear repeating by all of us for the benefit of newer lending officers who have not been seasoned by periods of economic readjustment. In lending there is no substitute for experience. It is a very simple thing to lend money in good times, but the real test of a banker is to judge the good from the bad when the going is rough.

So mucn for the problems that lie ahead. What about the opportunities? I feel they are many, existing only to be discovered. Yet their discovery will require imagination and initiative on a scale we have not had to exercise in recent years. We are in a period of great change—of practical research which brings out new methods, new products, new machinery, and new systems. It is a period when we should study as never before the needs, problems, and programs of our csutomers, so as to guide them properly in preparing for these changes. We should study the new—reexamine the old. If the customer needs longer term financing than the banker feels proper for his bank to extend, he should guide the customer in obtaining it, regardless of whether or not his bank participates. Only in this manner can the banker continue to be a leader, a counselor, and an adviser in the way that is traditional to our profession.

Moreover, we should reexamine the areas for financing in which the banks are not too actively participating today. The great changes that have taken place during recent years have opened up new fields for bank financing —fields that include not only the new industries, but perhaps some of the old from the natural resource stage on forward.

Again, I have no doubt about our ability to develop new patterns of lending if they are necessary to satisfy the demands of the period ahead. Our free banking system in the past has demonstrated great resourcefulness and flexibility in meeting the ever changing needs of business. We have only to look back over the past two decades to observe important innovations which have proved sound and useful—the revolving credit, term lending, and consumer loans among them. We can certainly take justifiable pride in the splendid way in which the banks handled the expanded needs of business during the war.

We are indeed confronted on all sides by great opportunity and great challenge. More than our own welfare is at stake. There is at stake also the continued success and progress of our system of free enterprise. It is the free competitive banking system that is the lifeblood of our free economy, for if we study the economic history of those nations of the world whose banking system is dominated by government, either through the central bank or by direct controls, we invariably see a stifled economy with limited competition. The results are stagnation in business and a lack of progress in living standards for all.

I am confident that we shall not be found wanting in our responsibilities as one of the chief custodians of the free enterprise system. We shall accept the obligations placed upon us by a return of more normal times. We shall not be confined to old habits or formulas or rules. We shall seek out the new—reexamine the old —and we shall continue to be a leader for business.

Chicago Bond Club Gets New Slate

CHICAGO, Ill.—The nominating committee of The Bond Club of Chicago announces the selection of Austin Jenner, Vice-President of The First National Bank of


Austin Jenner   Joseph E. Dempsey

Chicago, as President of the current year. Other officers selected are Joseph E. Dempsey, Dempsey & Co., Secretary, and Edward D. McGrew, Vice-President of the Northern Trust Co., Treasurer. As is customary, these officers will be formally elected Feb. 11 at the Club's 43rd annual meeting held in the Mid-Day Club, 33 South Clark Street. In addition to the officers mentioned, the committee also nominated the following men for directors: Paul Mullaney, Mullaney, Wells & Co.; Robert Podesta, Cruttenden & Co.; Robert B. Whittaker, Lee Higginson Corp.; Edward McCormick Blair, William Blair & Co.; Nelson Utley, Halsey & Co.; and Jules Cann, Lehman Brothers.

Charles Schudt

Charles Schudt, 71, partner in the investment banking firm of Paine, Webber, Jackson & Curtis, died in Brooklyn Hospital after a short illness. Mr. Schudt had been connected with Paine, Webber, Jackson & Curtis and its predecessor firms for 48 years.

Mr. Schudt was active in Wall Street affairs throughout his long career. He was formerly a member of the New York Cotton Exchange and for a number of years was a governor. He was also a member of the N. Y. Produce Exchange and served as a member of several industry committees.

He retired as a general partner of Paine, Webber, Jackson & Curtis on Dec. 31, 1952 and became a limited partner. He continued to come into the office every day, however, until he was stricken with a heart attack ten days ago.

F. I. du Pont To Admit

Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Austin J. Lyons to partnership Feb. 4. Mr. Lyons will acquire a membership in the Stock Exchange.

Railroad Securities

Western Maryland, B. & O., and N. Y. Central

While rail stocks have continued to push steadily, but not spectacularly, ahead, a couple of special situations caused the most excitement in this group last week. Running sharply counter to the general upward trend were the common and second preferred stocks of **Western Maryland.** These two issues broke sharply in Friday's trading on the release by an Interstate Commerce Commission examiner of his proposed report relative to the company's plan for a stock recapitalization. He recommends that the Commission turn down the application on the grounds that the plan is not in the public interest and is not equitable to the holders of the present first preferred stock.

A large majority of this first preferred stock is owned by **Baltimore & Ohio** railroad and that company approved the plan. However, two small minority groups opposed the proposal which was designed to eliminate the large arrears on the first preferred. Unpaid dividend accumulations amounted to $125 a share. For the old 7% preferred plus the arrears, it was proposed to give two shares of new 5% preferred, one-half share of new convertible 4% second preferred stock and $10 in cash. The cash has already been distributed and if the plan is not consummated will be applied to the reduction of arrears. The present 4% non-cumulative 2nd preferred was to be exchanged share for share for the new second preferred, convertible into two shares of common. Each share of present $100 par value common was to have been exchanged share for share into new $10 par value common.

It is still possible that the Commission itself may approve the recapitalization plan or that another proposal to clear up the arrears may be forthcoming and may meet with greater favor. Nevertheless, the report of the examiner makes it obvious that at best this situation will not be cleared up for a further considerable period. In the meantime, of course, holders of the second preferred and common can not hope to participate in the current high earnings. If no plan can be devised and the first preferred arrears must in the end be liquidated through cash payments the probable delay will have to be measured in years.

Including the $10 payment mentioned above, arrears at the end of last year amounted to $114.50 a share. Earnings on the first preferred for the 12 months through November 1953 amounted to roundly $46 a share. If earnings should remain at this level and if all earnings should be paid out in dividends (both extremely unlikely) it would take another three years to pay off the arrears while at the same time keeping up with the current $7 requirement. Under the circumstances, it is not surprising that the two junior stocks ran into considerable liquidation on the announcement.

On the other side of the ledger was the pronounced strength in **New York Central** stock. This coincided with the announcement that Mr. Robert R. Young and his associates, including Alleghany Corporation, had finally completely withdrawn from the Chesapeake & Ohio picture. The implication was that the step was taken in order that Mr. Young could make another attempt to get a voice in the management of New York Central through election to the board of directors. His earlier attempt a few years ago was blocked on the basis of his affiliation with Chesapeake & Ohio.

Whether these developments presage a proxy fight in the future or whether last week's buying was merely by speculators is a moot question. Certainly this speculative bulge is not based on any developments with respect to the road's operations or prospects. The most recent reports available show a continuation of the upward trend of the transportation ratio and traffic continues to decline. Also, it is felt in many quarters that the St. Lawrence Seaway, construction of which now may be taken for granted, has unfavorable long-term traffic implications for Central.

Pierre Bretey Joins Hayden, Stone & Co.

Dr. Pierre R. Bretey is to be Railroad Specialist for Hayden, Stone & Co., in their New York office, on Feb. 1. Dr. Bretey is teaching a course on railroads at New York University, and also at the Institute of Finance. He is the author of articles on this and other financial subjects, and is editor of the "Analysts Journal." He has served as President of the New York Society of Security Analysts, and of the National Federation of Financial Analysts Societies. For the past 12 years he has been associated with Baker Weeks and Harden.

Pierre R. Bretey

McDermott Heads A.S.E. 5 & 20 Club

John S. McDermott, a member of the American Stock Exchange since 1920 when the predecessor New York Curb Market Association conducted trading in the open air on Broad Street, was elected President of the exchange members' Five and Twenty Club. The organization, established in 1946 and currently consisting of 160 members, is composed of regular exchange members who have held their seats for 25 years or more.

At the elections, held in conjunction with the club's annual meeting, Phillip H. Diamond assumed the Vice-Presidency; with Rulley Koerner, Treasurer and Vincent E. Elwell, Secretary.

Honorary members who attended the affair included Edward T. McCormick, exchange President, John J. Mann, Board Chairman and Michael E. Mooney, General Counsel.

Leonard C. Greene, reappointed Chairman of the Entertainment Committee for the current year, was in charge of the dinner, meeting and election arrangements.

Franklin, Meyer Admits

Franklin, Meyer & Barnett, 120 Broadway, New York City, members of the New York Stock Exchange, will admit Albert W. Franklin, Jr. to partnership Feb. 4th. Mr. Franklin will acquire a membership in the New York Stock Exchange.

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•The State of Trade and Industry

production and added that there is no sign of production wavering at General Motors or Ford Motor Co. It stated recent production cutbacks by Chrysler and some of the smaller companies will reduce original January projections by nearly 52,000 cars. Indications now, the agency observed, are that January car output will come to about 476,000.

"Ward's" reported that General Motors and Ford Motor Co. will account for a combined 80% of January's industry car output, compared with 71% in all of 1953 and 65% in government-controlled 1952. Chrysler and all the independents—except Studebaker—are producting at levels below a year ago.

Steel Output Scheduled for Mild Drop This Week

These are the days steel buyers have longed for. They don't have everything their own way yet, says "Steel," the weekly magazine of metalworking, but they're much more the masters of their fates than they were a few months ago.

Steel buyers, it adds, aren't finding many out-and-out reductions of standard prices of steel, but they are able to get the seller to pay some of the freight charges; most noticeable of all, they can get what they want when they want it. And if they don't watch out they'll get it before they want it, because some mills, with their January work out of the way, are rolling orders booked for February delivery. If they didn't start two weeks early to roll February tonnage they couldn't keep operations as high as they are. This means that a further reduction in steel operations is not far off unless the pace of ordering quickens, it continues.

Some improvement in ordering by two automobile producers, General Motors and Ford, has been noted, but this has not been matched by a similar pickup from other automakers, it states.

The reduced demand for steel is reflected by a slowly shrinking rate of steel ingot production. For the second consecutive week, output declined a half a point, and in the week ended Jan. 24 was at 74% of capacity. While a half-point decline a week is not a lot it does signify there is no upward thrust in the steel business at the moment, this trade weekly points out.

Steel men, as a whole, are not discouraged, not pessimistic. They expected their business to take this downward turn. The future is not without hopeful signs. The seasonal factor is back in business once again, and historically there is a seasonal upturn in steel business in the spring, declares "Steel," adding: "March has long been regarded as a month of high steel production. Other encouraging signs are a modest pickup in employment at farm tractor plants, continued expansion in the public utility field and newly announced expansions in the automotive industry."

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 73.8% of capacity for the week beginning Jan. 25, 1954, equivalent to 1,760,000 tons of ingots and steel for castings, as against 1,766,000 tons and 74.1% a week ago.

The industry's ingot production rate for weeks in 1954, is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 75.7% and production 1,766,000 tons. A year ago the actual weekly production was placed at 2,240,000 tons and the operating rate was 99.4% of capacity. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Recedes from All-Time Peak of Week Ago

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 23, 1954, was estimated at 8,976,608,000 kwh., according to the Edison Electric Institute.

This represented a decline from the all-time high record in the week ended Jan. 16, 1954 when output reached 9,013,905,000 kwh.

The current figure represents a decrease of 37,897,000 kwh. below the preceding week, but an increase of 831,934,000 kwh., or 10.2% over the comparable 1953 week and 1,359,587,000 kwh. over the like week in 1952.

Car Loadings Decline Below Previous Week and Year Ago

Loadings of revenue freight for the week ended Jan. 16, 1954, decreased 4,358 cars, or 0.7% below the preceding week, according to the Association of American Railroads.

Loadings totaled 619,871 cars, a decrease of 85,146 cars, or 12.1% below the corresponding 1953 week, and a decrease of 127,789 cars or 17.1% below the corresponding 1952 week.

U. S. Auto Output Turns Upward in Latest Week

Automobile output for the latest week advanced above that of the previous week, according to "Ward's Automotive Reports."

The industry turned out an estimated 118,592 cars last week, compared with 114,148 (revised) in the previous week. A year ago the weekly production was 112,955.

Last week, the agency reported, there were 24,416 trucks made in this country, as against 24,953 in the previous week and 27,441 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 7,560 cars and 1,259 trucks last week, against 8,843 cars and 1,657 trucks in the preceding week and 7,359 cars and 1,795 trucks in the comparable 1953 week.

Business Failures Trend Slightly Upward

Commercial and industrial failures increased slightly to 208 in the week ended Jan. 21 from 200 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties were considerable higher than a year ago when 173 occurred or in 1952 when there were 142, they held at 43% below the prewar level of 367 in the similar week of 1939.

Failures involving liabilities of $5,000 or more dipped one to 171, but continued well above the 150 of this size recorded last year. On the other hand, small casualties, those with liabilities under $5,000, rose to 37 from 28 in the previous week and exceeded their toll of 23 in the comparable week of 1953. Thirteen of the failing businesses had liabilities in excess of $100,000, the same number as a week ago.

Wholesale Food Price Index Registers First Drop In 11 Weeks

The wholesale food price index, compiled by Dun & Bradstreet, Inc., turned downward last week, marking the first decline in 11 weeks. The index fell to $6.96 as of Jan. 19 from the 31-month peak of $7.03 recorded a week earlier. The current figure contrasts with $6.23 on the like date a year ago, or a rise of 11.7%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Eases in Latest Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., turned slightly downward in the latest week. The index closed at 275.11 on Jan. 19, as compared with 279.65 a week previous, and with 279.58 on the corresponding date last year.

Grain price movements continued irregular with wheat advancing moderately while feed grains generally were weak. Firmness in the bread cereal was influenced by some improvement in domestic and export demand, the shipment of red wheat out of Chicago, and the outlook for a short supply due to heavy impoundings under government loan.

Corn prices displayed weakness under pressure of hedge selling against heavy receipts in the cash market.

Oats quotations were barely steady, reflecting poor demand for the increased offerings. The United States Department of Agriculture reported 431,000,000 bushels of 1953-crop wheat under price support through Dec. 15, 1953. Daily average purchases of grain and soybean futures on the Chicago Board of Trade last week totalled about 48,800,000 bushels, against 47,600,000 the previous week and 51,800,000 in the corresponding week a year ago.

Activity in the domestic flour market declined last week as many bakers and jobbers drew on their purchases of the previous week. There was some scattered buying of hard wheat varieties by larger independent bakers in the latter part of the week. Cocoa prices reversed their upward trend last week as the market ran into a wave of selling orders which encountered very limited buyer interest.

The selling stemmed from profit-taking and long liquidation following the recent prolonged upturn, as well as sharp declines in the London market and the possibility of increased consumer resistance.

Warehouse stocks of cocoa were lower at 55,581 bags, against 57,005 a week earlier, and 77,117 a year ago. Green coffee prices also dipped sharply from the all-time highs established last week.

This likewise reflected profit-taking and hedging, together with fear of consumer resistance.

Spot cotton prices continued to edge mildly upward the past week in response to domestic mill and foreign price-fixing, stimulated by firmer spot markets and some improvement in demand for print cloths. Activity in the ten spot markets increased sharply. Sales last week totalled 223,300 bales, as against 100,800 the week before, and 137,700 bales in the same week a year ago. Loan entries continued in good volume and totalled 251,300 bales in the week ended Jan. 8, bringing total entries for the season to date to 5,804,600 bales. Loan repayments for the season through Jan. 8 were reported at 65,800 bales, leaving loans outstanding on 5,739,500 bales of 1953-crop cotton.

Trade Volume Tapers Off in Latest Week

The recent high interest in many clearance sales began to slacken somewhat in many parts of the nation last week. While the inclement weather was considered as a stimulant by merchant's in some sections, in other parts the heavy snows hampered sales.

Retailers were generally unable to surpass the sales figures of a year ago; in recent weeks most merchants had larger sales volume than a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was estimated by Dun & Bradstreet, Inc., to be from 3% below to 1% above the level of a year ago. Regional estimates varied from the corresponding 1953 level by the following percentages: New England and East —1 to —5; Midwest 0 to —4; South 0 to +4; Southwest +1 to +5; Northwest —2 to +2 and Pacific Coast —1 to +3.

The spirited interest in Winter apparel began to weaken noticeably in many sections the past week. The total spent last week in apparel stores was slightly smaller than that of a year ago. Still quite popular were children's clothing, sportswear, and wet-weather wear.

As many buyers went ahead with their preparations for the new selling season, the total dollar volume of wholesale trade in the week was sustained at the increased level of the prior period; it was down moderately, however, from the level of a year earlier.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index, for the week ended Jan. 16, 1954, declined 8% below the level of the preceding week. In the previous week, Jan. 9, 1954, an increase of 6% (revised) was reported from that of the similar week in 1953. For the four weeks ended Jan. 16, 1954, an increase of 4% was reported. For the year 1953, department store sales registered an increase of 2% above the corresponding period of 1952.

Retail trade volume in New York the past week advanced 6 to 7% above the like period a year ago. A week ago, bad weather kept shoppers home, while in the comparable period in 1953 a combination of televised broadcasts of the Presidential inauguration ceremonies and sleet and rain adversely affected sales volume.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Jan. 16, 1954, registered a decrease of 15% from the like period of last year. In the preceding week Jan. 9, 1954, an increase of 9% (revised) was reported from that of the similar week of 1953, while for the four weeks ended Jan. 16, 1954, an increase of 4% was reported. For the year 1953, a decrease of 1% was registered from that of the 1952 period.

Bankers Offer Colo. Oil & Gas Shares

Public offering of 1,000,000 shares of common stock of Colorado Oil and Gas Corp. was made on Jan. 26 by a nation-wide underwriting group of approximately 125 investment houses, headed by Union Securities Corp The stock was priced at $12.50 a share.

Net proceeds from the offering will be used largely for development of existing gas properties, for the acquisition and development of producing oil and gas properties and for acquiring leaseholds in prospective oil and gas acreage.

Colorado Oil and Gas has proven reserves of natural gas estimated in excess of 550 billion cubic feet, located primarily in Morton County, Kan., and Cimarron County, Okla. As of Dec. 1, 1953 leasehold and royalty interests covered approximately 379,000 net acres located primarily in Oklahoma, Nebraska, Kansas, Utah, New Mexico and Wyoming. Colorado Oil and Gas has working or royalty interests in 37 producing or productive gas wells, as well as a 100% working interest in four small oil wells.

The company was organized in January, 1952, by Colorado Interstate Gas Co. which will own 1,800,000 shares of the total of 2,809,000 shares of Colorado Oil and Gas Corp. common stock to be outstanding on completion of this financing. Colorado Interstate is considering means of distributing its holdings of Colorado Oil and Gas to its own shareholders.

Exch. Firms Governors Announce Meetings

The Board of Governors of the Association of Stock Exchange Firms will hold 1954 meetings as follows:

Feb. 15-17, Washington, D. C.: James Parker Nolan, Folger, Nolan-W. B. Hibbs & Co., Inc. (Resident Governor in charge of arrangements).

May 12-14, Boston, Mass.: Horace W. Frost, Tucker, Anthony & Co. (Resident Governor in charge of arrangements. Mr. Frost is also current President of the Association.)

Sept. 23-25, Minneapolis, Minn.: Harry C. Piper, Jr., Piper, Jaffray & Hopwood (Resident Governor in charge of arrangements).

New Oppenheimer Branch

Silvio Smilovici, head of the mutual funds department of Oppenheimer & Co., members of the New York Stock Exchange, announces opening of a new branch office in East Orange, N. J., under the management of Kenneth Heyman, who will specialize in mutual funds. Mr. Heyman has been associated with the Oppenheimer organization for about ten months.

Sidney Platto Joins Bache Co. in Florida

MIAMI BEACH, Fla.—Bache & Co., 1 Lincoln Road Building, members of the New York Stock Exchange, announce that Sidney Platto has joined their staff. Mr. Platto, with more than 25 years of experience in commodity trading and in handling actual raw commodities, will not only specialize in commodities with Bache & Co. but will also handle a regular securities business.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Charles M. Early, Jr. has joined the staff of Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Joins Joseph, Mellen

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Richard D. Palmer has become associated with Joseph, Mellen & Miller, Inc., Union Commerce Building. Mr. Palmer was formerly with Cunningham, Gunn & Carey, Inc.

Mutual Funds

By ROBERT R. RICH

THE TOTAL NET assets of 142 members of the National Association of Investment Companies exceeded $5,000,000,000, and the total net assets of 110 open-end or mutual fund members exceeded $4,000,000,000, for the first time at the end of the year 1953, the Association announced yesterday. The total assets and aggregate number of shareholders of mutual funds have increased in every year since 1941, the Association said.

Total net assets of 110 mutual funds on Dec. 31, 1953 were $4,146,000,000, an increase of $215,000,000 over Dec. 31, 1952. Total number of shareholders (before eliminating duplications) increased to 1,617,000 from 1,359,000 a year earlier.

Sales of new shares during 1953 amounted to $672,005,000, compared with $783,000,000 in 1952, while net sales, after redemptions, were $433,000,000 and $587,000,000 in the respective years.

Net sales in 1953 were higher than in any previous year except 1952. It was pointed out that shares of mutual funds are redeemable at any time at the option of the holder.

Total distributions to shareholders in 1953 exceeded $237,000,000, compared with $242,000,000 in 1952. Dividends paid from income increased by $26,000,000, while distributions of capital gains were $31,000,000 less than in 1952.

Total net assets of 32 closed-end investment companies were $928,000,000 on Dec. 31, 1953, and distributions in 1953 were $49,000,000.

The 142 companies of both types, included in the Association's report, had combined assets of $5,075,000,000, and 1,832,000 shareholders (before eliminating duplications), at the year-end, and distributed $286,000,000 to security holders in 1953.

TOTAL NET ASSETS of three mutual funds managed by Investors Diversified Services, Inc., increased more than $88,000,000 during 1953, Robert W. Purcell, Chairman of the Board of I.D.S. reports.

As of Dec. 31, 1953, combined total net assets of the three funds, Investors Mutual, Inc., Investors Stock Fund, Inc., and Investors Selective Fund, Inc., were $582,997,850 as compared with $494,904,147 at the close of 1952.

A total of 190,200 investors owned shares in the three funds at the close of 1953, an increase of 29,500 shareholders over the 160,700 reported at the end of 1952.

Net assets of Investors Mutual, Inc., the world's largest balanced fund, increased $76,493,493 during 1953, an increase of 17.56% over the 1952 year-end figure.

Investors Stock Fund, Inc., reported that during the past year its assets increased $10,472,010, equivalent to 22.19% over its Dec. 31, 1952 assets.

Investors Selective Fund, Inc., recorded a net assets increase during 1953 of $1,128,199, equivalent to 9.33%.

The combined increase in total net assets of the three funds during 1953 amounted to $88,093,702, equivalent to 17.80%.

For the sixth straight year, 12-month gross and net sales of all three funds showed substantial increases over previous years, Grady Clark, I.D.S. Vice-President and General Sales Manager, disclosed.

Gross sales of the three I.D.S. affiliated funds during 1953 totaled approximately $137,137,216, on the basis of preliminary unaudited figures.

Redemptions for 1953 totaled $21,073,402.

Net (gross minus redemptions) sales of shares in the three funds managed by I.D.S. therefore totaled $116,063,814 during 1953.

Thus, 1953 redemptions in the three funds amounted to only 15.4% of the gross sales.

Dividends totaling $30,097,207, of which $23,920,534 was derived from investment income and $6,176,673 from capital gains, were paid to shareholders in the three funds during 1953.

Investors Mutual, Inc., paid its shareholders during the past year a total amount of $26,498,275, of which $21,195,687 was derived from investment income and $5,302,588 from capital gains.

Shareholders in the three funds reinvested their 1953 dividends in the amount of $19,049,635, equivalent to 63.29% as against the 1952 dividend reinvestment figures of $15,860,542, equivalent to 61.69%.

IN HIS ANNUAL report to the Board of Directors of Group Securities, Inc., Harold X. Schreder, Executive Vice-President and Research Department head, summed up his opinions on the outlook as follows:

"Events of recent months strongly suggest that both business and the stock market are continuing in the process of making a major turn for the better.

"This is true even though we share the opinion of most other economists, businessmen and bankers that the prospect of a gradual but moderate decline in business will continue into 1954, and possibly into 1955.

"During the winter of 1951 we began to note the fact that several significant population and economic conditions of a troublesome nature would exist all through the 1952-55 period. These included (1) a declining rate of family formation, (2) personal ownership of sizable amounts of relatively new stocks of consumer-durable goods (automobiles, refrigerators, etc.), (3) the existence of excessive plant capacity, and (4) somewhat tighter money supply conditions. Significantly, No. 4 was reversed this past year.

"By now, well over two years of this potential trouble period have been successfully bridged by large military expenditures; and right now, it looks like another not-so-good-but-still - very - good year will be supported by military expenditures.

"As a result, only about a year or so of this potentially troublesome four year period now appears to exist. The business adjustments yet to be made, therefore, should not develop as strong cumulative effects as they might have because of the shortened time factor. By 1955 family formation will be rising sharply again, the replacement demand for all types of consumers' durables will be large so that the capital goods industries will again be stimulated.

"In short, passage of time—not depth of business decline appears most likely to be the basic means of settling the stage for a new bull market in stocks, the great majority of which have experienced severe declines during the past three years."

The following table shows the gains in total net assets made by each fund during the calendar year 1953:

	Dec. 31, 1953	Dec. 31, 1952
Investors Mutual, Inc.	$512,116,358	$435,622,865
Investors Stock Fund, Inc.	57,662,180	47,190,170
Investors Selective Fund, Inc.	13,219,312	12,091,112
Totals	$582,997,850	$494,904,147

Gains in the total number of shareholders made by each fund during the past year are shown in the following table:

	Dec. 31, 1953	Dec. 31, 1952
Investors Mutual, Inc.	$163,000	$139,400
Investors Stock Fund, Inc.	21,700	16,700
Investors Selective Fund, Inc.	5,500	4,600
Totals	$190,200	$160,700

EATON & HOWARD Balanced Fund's 22nd Annual Report shows net assets of $101,963,256, up from $94,486,854 at the beginning of the year. Shares outstanding total 3,253,985 compared with 2,906,930 and the number of shareholders 20,359 compared with 18,067. Asset value per share on Dec. 31, 1953 was $31.33 compared with $32.50 a year earlier — a 1.75% decline after adjustment for the 60c per share distribution of realized profits in December.

Dividends from investment income totaled $1.23 in 1953, the same amount as was paid in 1952.

At the year-end, 7.8% of the Fund was in cash, U. S. Governments and short-term notes, 17.3% was invested in corporate bonds, 14.7% in preferred stocks and 60.2% in common stocks. The larger common stock holdings were in the oil (11.5%), power and light (11.3%), banking (5.3%), insurance (4.7%), and chemical (3.7%) industries.

Changes in investments during the fourth quarter of 1953 included:

ADDITIONS

U. S. Treasury bonds 2¾s, 9/15/61.
General Electric credit notes, 7/6/54.
Northern Natural Gas 3⅝s, 1973.
United Gas Corp. 3¾s, 1973.
General Motors Corp. 3¼s, 1979.
Florida Power Corp. common stock.

ELIMINATIONS

General Electric credit notes, 10/9/53.
Gen. Motors acceptance notes, 12/10/53.
New Orleans, Tex. & M. 1st A 5½s, 1954.
Merck & Co., Inc. $4 conv. 2nd pfd.

Common stocks of: Celanese Corp of America; Montgomery Ward & Co.; Southern Natural Gas Co.

EATON & HOWARD Stock Fund's 23rd Annual Report shows net assets of $20,860,870, up from $17,015,223 at the beginning of the year. Shares outstanding total 863,451 compared with 693,820 and the number of shareholders 5,286 compared with 4,123. Asset value per share on Dec. 31, 1953 was $24.16 compared with $24.52 a year earlier.

Dividends from investment income in 1953 totaled 91c a share compared with 89c paid in 1952.

At the year-end, 94% of the Fund was invested in 96 common stocks representing 29 different industries. The larger common stock holdings were in the oil (11.7%), power and light (9.8%), insurance (9.5%), chemical (7.0%) and banking (6.9%) industries.

Changes in common stock holdings during the fourth quarter of 1953 included:

ADDITIONS

Colorado Interstate Gas Company.
Gerber Products Co.
Goodyear Tire & Rubber Co.
Merck & Co., Inc.

ELIMINATIONS

Celanese Corporation of America.
Virginia Elec. & Power.

MASSACHUSETTS Life Fund reports an increase in total net assets to a new high of $16,148,335 on Dec. 31, 1953, compared with $15,953,403 at the end of 1952. Shares outstanding reached a new high of more than 564,000 compared with 540,000 at the end of 1952.

As of Dec. 31, 1953, common stocks represented 56.3% of the fund's total investments; 42.9% were in bonds and preferred stocks, and .8% in cash and receivables.

In the common stock portion, public utilities constituted 17.5% of the entire fund; industrials were 31.6%; finance and insurance stocks 5.6%; and railroads 1.6%. Among the industrials, the largest holdings were in oils, chemicals, electrical equipment and retail trade.

New common stocks added to the Fund during the last quarter of 1953 included Federated Department Stores, Inc., and Thompson Products, Inc. Eliminated were Fireman's Fund Insurance Co., May Department Stores Company, and Panhandle Eastern Pipe Line Company.

PURITAN FUND reported the largest gross sales of shares in its history in 1953. Sales amounted to $707,998 for an increase of 138% over gross sales of $296,673 in 1952.

FIDELITY FUND reported increases in gross sales of shares for both the fourth quarter and the full year of 1953.

Gross sales for the quarter amounted to $5,662,046, an increase of 29.6% over gross sales of $4,367,280 in the like quarter of 1952.

Gross sales for the year amounted to $19,236,291. They represented an increase of 4.2% over gross sales of $18,460,979 in 1952.

WOMEN ARE more investment-minded than men if their holdings of the $280 million Wellington Fund are any criterion. A recent analysis made public by A. J. Wilkins, Vice-President, shows that the average investment in Wellington by women in their own names amounts to $2,750. Their total holdings amount to $109,687,400. This compares with an average investment of $1,890 and total holdings of $90,329,900 by men. Another $60,725,500 of the Fund, he added, is owned by women in joint accounts with their husbands or a male relative. The remaining $20,110,300 of Wellington's total net assets is institutionally owned.

The women shareholders, according to the analysis, are located in every state of the Union and represent a broad cross-section of American life. They include business women, housewives, doctors, lawyers, teachers, etc.

"These substantial holdings of Wellington Fund by women as shown in our analysis," Mr. Wilkins pointed out, "would indicate that the modern American woman is definitely investment-minded. This trend," he went on, "is prompting the investment industry to aim more and more of its sales material at women."

Continued from page 14

We Can Increase Consumer Buying by 10%!

school facilities and shortage of teachers as well as juvenile delinquency. It will affect housing requirements, food consumption, and many phases of family living. It will force extensive construction and equipment of new classrooms and recreational facilities.

Population continues to grow at the rate of 2,700,000 per year and the 4,000,000 children born in 1953 will mark the highest point in our history with an increase of about 2½% over 1952.

(3) Change in the education level of our people—with 80% more high school graduates in our adult population than in 1940.

The rapid increase in the proportion of our population with a high school or better education is accelerating the pressure for higher standards of living as well as resistance to any lowering of standards.

(4) Change in obsolescence and age of our dwellings—with 67% now over 20 years old and 50% over 30 years old.

The majority of our 48 million dwellings were built when families had incomes that hardly covered the bare necessities of living, when only 7% of our adults were high school graduates, when there were less than a quarter as many passenger cars and few home comforts or conveniences. Tastes, incomes, education, and modern needs have so changed that a pressure of obsolescence can be far more important to new housing needs than the pressure of additional population.

Major changes in purchasing power, education, and ownership of automobiles and appliances have taken place in the last 13 years since 1940. These rapid changes superimposed on housing conditions of a past generation are creating hidden pressures. While new construction in the last few years has been providing approximately one million new homes annually, this has just barely taken care of the growth in the number of families. There is a huge and really unmeasurable opportunity beyond the providing of new homes for new families and that is in the replacing or remodeling of obsolete homes to bring the whole housing standards more in line with the present modern levels of living and education, and in line with the changed distribution of families by income groups.

(5) Change in number of motor vehicles—with 75% more vehicles than in 1940 putting added pressure on roads, streets, garages, and parking facilities that were not adequate even for the lesser number of vehicles in 1940.

With 56 million motor vehicles on the road in 1954, or 75% more than the 32 million in 1940, the pressure for action to relieve congestion will become intense. Proper rebuilding of our roads, parking facilities, and city streets to accommodate this substantial increase in motor vehicles obviously offers a broad need for new construction. Most of our homes were not built for a motor age—few, for example, have two car garages.

And we are far from saturation in ownership of motor vehicles. Only 60% of our 54 million consumer spending units own cars—about 22 million still have no car.

(6) Change in our farm population—with a drop of 7½ million since 1940 and a net shift of about 14 million to non-farm population adding to the need for a high level of non-agricultural production and employment.

This shift has not resulted in lowered farm production—on the contrary, total farm output increased by 31% between 1940 and 1953 with output per man hour increasing by 59% because of rapid progress in farm mechanization and in the increased yields of improved farming practices. The increase in farm output per man hour in the 13 years from 1940 to 1953 was 1¾ times as great as in the previous 30 years from 1910 to 1940. It is estimated that American agriculture could increase production by 1/5 within the next five years—if a 20% increase in demand could be created.

This amazing increase in farm productivity along with a shift of much of the marginal production or low income farm population to industrial areas has resulted in major shifts upward in the standard of living and purchasing power of the remaining farm families. 88% have electric service, for example, compared with 11% prewar.

(7) Population shift to the suburbs—with a population growth in suburban areas of large cities five times as rapid as in the rest of the country outside of Metropolitan Areas.

Between 1940 and 1953 population in the suburban portion of 162 Metropolitan Areas grew 46% while the Central Cities grew 18% and the rest of the United States, outside of the 162 Metropolitan Areas, increased only 9%.

This rapid shift reflects changing living standards, changing shopping habits, and the increasing trend toward family living. Pressure will continue for suburban shopping centers and for multiple car ownership among suburban families.

Production and Consumption Potentials Favor Dynamic Growth—But Intensified Selling Is Needed in 1954-55 to Energize the "Magic" of Consumption

These facts on present purchasing power and on the hidden pressures for further sound expansion of our economy could be supported in great detail. They present both a major opportunity and a major challenge to management. The task is that of educating the American people to accept and work for the higher standard of living their productive ability warrants. As the standard of living advances along with productivity the new or expanded markets thus created will have a magical influence on industrial growth and progress, on private financing, and on government revenues.

Intensified selling in 1954-55 is needed to energize this "magic" of consumption.

To Be Gersten & Eliasberg

Effective Feb. 1 the firm name of Gersten, Kastor & Eliasberg, 60 Wall Street, New York City, members of the New York Stock Exchange, will be changed to Gersten & Eliasberg. Joseph H. Kastor will withdraw from the firm on the same date.

Public Utility Securities

By OWEN ELY

El Paso Electric Company

El Paso Electric Company serves a 230-mile strip of land in the Rio Grande Valley with electricity, including the city of El Paso, 18 other communities in Texas, and 22 in New Mexico. Annual revenues approximate $9 million from sale of electricity, of which about 38% is residential and rural, 31% commercial, 15% industrial, and 16% wholesale and miscellaneous. Average residential and rural revenue per kwh. sold in 1953 was 2.6c, which was below the national average; annual usage was 2,387 kwh., slightly above average. El Paso is one of the few companies which has not raised its electric rates.

Cattle and livestock-raising are major industries in the area served. El Paso is also an important copper smelting and oil refining center. El Paso Natural Gas is now building a $4.5 million office building and headquarters in the city. Standard Oil and Texas Company are also expanding their refining operations considerably. About 30% of all U. S. copper (based on a ten-year average) is refined in the city of El Paso, and by 1956 Magma's new copper should come to El Paso for smelting.

The company produces about 98% of its power needs. Two steam plants have a capability of 124,000 kw. The company burns natural gas as fuel and last year had to pay higher prices for gas. Nevertheless in the 12 months ended Dec. 31, the company was able to earn $2.11 a share on its common stock compared with $1.95 in the corresponding previous period. Following is the common stock record:

		Common Stock Record		
Year—	Revenues	Earnings	Dividends	Approx. Range
1953	$9,000,000	$2.11	$1.30	28 – 22
1952	8,100,000	1.95	1.20	24 – 21
1951	7,200,000	1.82	1.05	21 – 17
1950	6,300,000	1.74	1.00	19 – 16
1949	5,900,000	1.68	0.90	17 – 13
1948	5,400,000	1.48	0.80	13 – 11
1947	4,800,000	1.35	0.80	13 – 11
1946	4,200,000	1.13	---	------
1945	4,100,000	0.79	---	------
1944	3,900,000	0.80	---	------
*1943	3,700,000	0.64	---	------

*Excludes transit and bridge operations (property sold Dec. 31, 1943).

El Paso seems a typical growth company, its revenues having more than doubled in a decade; share earnings have increased in every year but one, and the dividend rate and market price have risen almost every year since the stock was distributed to the public. The company in 1954 will be relieved of excess profits taxes, which last year amounted to about 14 cents a share. President Womack expects the company to earn about $2.30 on its common stock this year despite the dilution of a probable stock increase.

By the end of March the company expects to have borrowed about $5 million from the banks, and later to do permanent financing through the sale of $5 million mortgage bonds, $1.5 million preferred stock, and 76,000 shares of common stock (on a 1-for-10 subscription basis). The common stock financing is expected around March 10, and the senior financing shortly thereafter. By the end of 1954 the company will probably have completed its present construction program, and little financing should be necessary in 1955.

The company's growth has been accomplished despite some five years of drought in the rural areas served. The farmers have learned how to "live with" this condition, by pumping water from underground wells. Of course these underground supplies will not last forever, but a few good rains would help restore them. The company's growth has been aided by a considerable amount of defense installations in and around El Paso; permanent buildings have now replaced the temporary wartime structures. A new favorable factor is the five-year contract with the Mexican Government (made last summer) to furnish 60% of the requirements of the City of Juarez (across the Rio Grande) with firm power, instead of dump power as formerly.

After the proposed financing program this year, the *pro forma* capitalization at the end of 1954 is expected to be about as follows:

Mortgage Debt	48%
Debentures	7
Preferred Stock	9
Common Stock Equity	36
Total	100%

Due to the prolonged drought in the Rio Grande watershed the Bureau of Reclamation's Elephant Butte Dam has been unable to generate sufficient power for its commitments in the last three years. The company has a contract with the Federal agency under which it now sells a minimum of 50,000,000 kwh. a year to the agency (instead of buying power as previously).

Regarding the gas supply, El Paso Natural Gas hopes to have its rate increase cleared by the FPC, after which it is expected to make a ten-year contract with El Paso Electric assuring the latter's fuel supply for a decade.

New De Pontet Officer

William Needle has become a director and Treasurer of De Pontet & Co., Inc., 36 Wall Street, New York City, members of the New York Stock Exchange. The company has an office in Monte Carlo, Monaco and is correspondent of Bache & Co. with whom Mr. Needle was formerly associated as a registered representative.

J. E. Bennett Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Eldon W. Lau has become affiliated wtih James E. Bennett & Co., Grain Exchange.

Joins George K. Baum Co.

KANSAS CITY, Mo.—Lester A. Buchanan has become affiliated with George K. Baum & Co., 1016 Baltimore Avenue.

Bankers Offer Bonds Of Illinois Gas Firm

A nation-wide group headed by The First Boston Corp., Halsey, Stuart & Co. Inc. and Glore, Forgan & Co., on Jan. 27 underwrote $60,000,000 of Commonwealth Edison Co. gas divisional lien bonds which, by assumption, will become Northern Illinois Gas Co. first mortgage bonds, 3½% series due Jan. 1, 1979. The Northern Illinois Gas Co. bonds, offered publicly at 102% and accrued interest, yielding approximately 3.38%, were quickly oversubscribed.

The bonds will be redeemable for general purposes at prices beginning at 105.50%. For purposes of the sinking fund, the bonds may be redeemed annually during four months periods beginning Dec. 1, 1957 to 1977, inclusive, at prices ranging from 101.80% to 100.12%.

Northern Illinois Gas Co., presently an Edison subsidiary, was organized last November to acquire and operate Edison's gas utility properties and two small heating utility properties. It is expected that ultimately some plan will be worked out for the complete separation of the gas company's stock ownership. As an electric utility primarily, Edison supplies electric service in Chicago and a large territory in northern Illinois. Northern Illinois Gas will serve approximately 450,000 customers in 232 communities and adjacent areas in Cook County outside Chicago and in 16 other northern Illinois counties.

As of July 31, 1953 the gas utility properties to be transferred to Northern Illinois Gas represented about 11% of Edison's consolidated gross plant. Operating revenues of the gas properties in the 12 months ended July 31 represented approximately 14% of Edison's total operating revenues for the period. Pro forma net operating income before Federal income taxes, based on the assumption that Northern Illinois Gas had been in existence through the 12 months was $11,998,944; maximum interest charges on the bonds to be issued will require $2,100,000.

Elected Directors

George B. Moran, Joseph W. Ress and Frederick S. Robinson have been elected directors of Wentworth Manufacturing Co., of Fall River, Mass.

Mr. Moran is a Vice-President of The Hanover Bank in New York City; Mr. Ress is President of E. A. Adams & Son, Inc., jewelers, and Mr. Robinson is President of Frederick S. Robinson & Co., a New York investment house, a trustee of The East New York Savings Bank and a director of American Equitable Insurance Co. and of other corporations.

Continued from page 4

"1954—Recession—Depression—Recovery?"

"Depression"—Colin Clark

the Executive from the Legislative powers. Switzerland is the only other democratic country which does so, and I am very sorry to see that many of the newly established systems of parliamentary government in Asia and Africa and British Guinea are molded so closely on the British system which unites the executive and legislative. There would be much more chance of solving their problems if they were organized the other way.

I have had more than my share of preliminary remarks. Let me now come down to summarize what I think are the danger signs.

The first point I want to make, it has been raised by many newspaper critics, in the comments in American journals, that any American journalist who knows me personally has invariably been hostile. The ones who don't have given me the benefit of the doubt. Many financial journalists have asked me whether I wasn't unfair in not being aware of the fact that the 1932 depression was heralded by a stock market collapse. I am, therefore, putting before you a conclusion, namely, that the facts do seem to me to indicate that the stock market boom on the one hand and stock market collapse on the other will only have a minor and not a major influence on people's decision to spend money on consumption or on investment.

But if you like, you can leave the critical year 1929 out of the evidence; and just by assembling the evidence of other and lesser declines which the American economy has been through in the course of the last three decades, I still come to much the same conclusion, which I shall try to put before you.

Recessive Factors

Now, there are four or five factors, each small in themselves but which combined may have quite a strong recessive effect. Now, in the first place, although it may seem a bit odd to say so, money is certainly scarce. It seems curious to say that with $205 billion of it it is scarce, but don't forget the amount of money must be weighed against the labor force which it has to employ, and the wages which that labor has to be paid. Although money has turned up quite sharply since the summer, the money supply during the recent months has been lower than at any time during the last ten years, except for the period of 1937-38, which was one of violent depression, and for the period of 1933-34 just after the bank collapse.

I am going to give my reasons in ascending order of importance; that is to say to give what I think are the smaller factors first and larger factors afterwards.

Now, for inventories, there is no disagreement among economists and statisticians here with the conclusion that inventories have risen to rather abnormal heights and they will have to come down. The reduction process will be painful. And I would add that the longer trend of business is to make inventory requirements steadily less as methods of merchandising and communication improve. So quite a lot of inventory liquidation will have to be done. I think we are all agreed on that.

Now, more serious is the question whether there is a surplus, or a danger of a surplus for fixed plant and equipment. Now, it is not easy to get statistical measurement or economic analysis of this problem. The Department of Commerce in Washington has set some interesting work afoot, and in relation to turnover it appears that the fixed plant and equipment of industry is now not tight as compared to what it was in the 1920s, but there is a tendency which some statisticians have brought out rather strongly that as time goes on industry tends to operate with a lower ratio of plant and equipment to sales. In other words, technical inventions, while sometimes labor-saving, are equally often equipment-saving. And therefore some downward trend is to be expected.

I can't give, I don't think anybody can give, a categorical judgment, but at any rate plant and equipment are much more in an abundant supply now than they were seven or eight years ago, or even two or three years ago.

General Motors' Prognostication

And at this point we come up against the announcement by the President of the General Motors Corporation two days ago. Now, if he is looking two or three years ahead, as I think he is, I don't think he is mistaken. I think you will find it hard to get statisticians to agree that the sales of automobiles in 1954 will be as high or higher than they were in 1953. I think most automobile statisticians will give a very different forecast than that. But once you are looking a bit further ahead, and I am willing to agree with you that the upward trend has resumed, we have a different opinion.

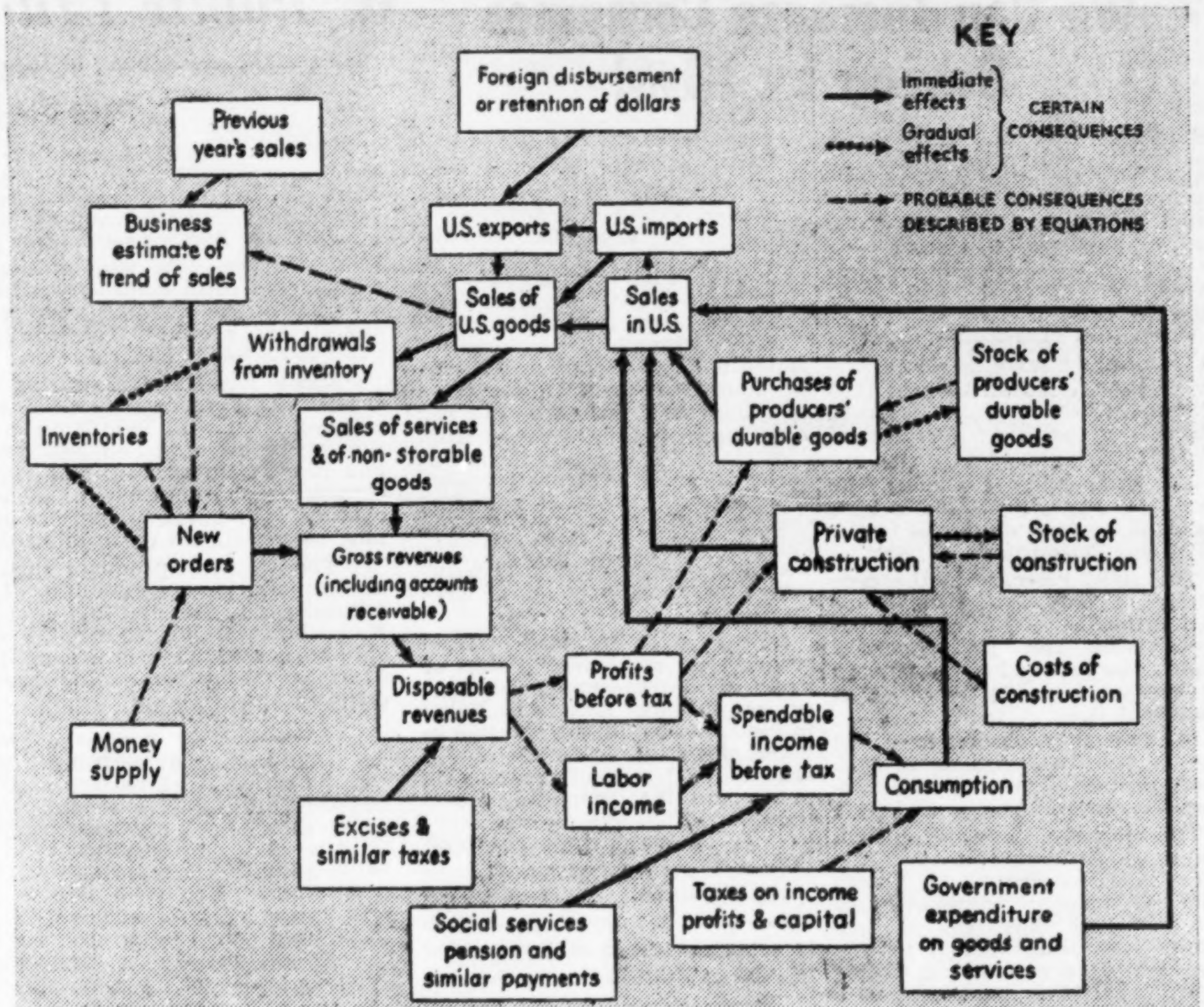
We turn next to construction. Now, while the statisticians may think that plant and equipment is abundant, nobody can possibly claim that the United States is over-supplied with floor space. The whole trouble in construction is the excessively high construction costs. The cost of construction, in comparison with the rest of the cost of living has risen by no less than 60%, and indeed it is only in this way that we can account for the comparatively low volume of construction now as compared with such a high gross national product.

The number of housing starts is in the neighborhood of a million a year. Some people are quite pleased with that figure, but in 1926 when the United States had only about three-quarters of the labor force and less than half the real gross product she has now, housing starts were almost in the neighborhood of over a million a year. Construction has been very, very seriously slowed down by this high cost. And once construction costs come down, I think there is a tremendous reservoir of additional demand for housing and construction of all kinds, and for this reason—I think there are plenty of others—I cannot see any collapse like that of 1929-33.

The Chain Reaction

But the most serious factor of all is what I call the chain reaction. The chain reaction may be triggered by some quite small event, but once it is started it proceeds to go on of its own accord and until some beneficial factor comes in to stop it. I will try and explain that more clearly in a moment. The Chairman asked how far Professor Woytinsky and I were likely to agree, and when I saw the text of the article which was published about two months ago, although he expressed himself rather differently from me, I realized our conclusions are quite close together. He predicted a fall in employment of about a million. That is a fall in employment while the employable labor force is continually rising. And he also predicted quite a substantial drop in the average hours worked, which is equivalent to a fall in gross national product, and it is tantamount to a fall in employment.

Dr. Clark's "Flow Chart" Embodying Mathematical Equations and Correlations Contained in His "Model Building" System of the Economy.



I think since he wrote that he has been raising his sights and gotten away from me again, since I prepared my statement in November; and while I have raised my sights in perhaps a slight degree, still he has gone ahead much faster than I have, and we are still quite a distance apart.

Professor Woytinsky has made some comments on methods of analysis, and I don't want to make the discussion too much one of personalities, but I must claim the right to disassociate myself completely from the rash and unfortunate economists he describes who all through the 1940s were making some egregious errors. In particular, just about the end of the war, when so many American economists were predicting eight million or more unemployed, I specifically disassociated myself from that school in contributions which I wrote in the "Oxford Bulletin of Statistics" in May of 1945, discountenancing the work of a certain Steingel who was preparing plans for a great United States depression which was to come in 1948.

The article which I wrote in "Econometrica" in 1949 in which I published the equations on which I am working was actually written and completed about the middle of 1948, and I did subject all the equations and methods to an extremely severe test. I was imposed upon by my good friend, Professor Friedman of Chicago. He said there is no use designing equations of this sort unless you can test them by supplying them with no other information except the external variables, and then seeing that the equations of themselves can reproduce movements of gross national product.

This very severe test they were able to survive, I won't say with flying colors, but at any rate after a fashion. If you turn up the original article in "Econometrica," you will find, using no other information but the course of public finance and external trade, they were able to produce in a distorted but recognizable form the movement of gross national product and inventories over the period 1922 to 1933.

I did not at that time apply them to postwar events except in a general way; as to say in 1948 that no serious depression was then to be expected and something like full employment would continue. There was, of course, the minor recession in 1949, but throughout I think I was on the right side throughout that period in saying it could be treated as minor.

As a matter of fact, I did have a conference in Washington with Dr. Nourse at the beginning of 1949. I didn't realize until I read Dr. Nourse's memoirs what an extraordinary conflict was going on between him and the President at that time.

On the lesser matter of the business cycle I put it to him in this private interview that I thought from that point, mid-August, 1949, he could take a bullish position; and I think he was inclined to agree.

I think, as a business audience, you prefer more precise examination of the concrete facts to abstract reasons about whether my method is satisfactory or not.

Equations and a Flow Chart

Now I may assure you that although this chart looks complex, compared with the other common tables worked out in this field my system is quite extraordinarily simple. The number of mathematical equations involved in my demonstration is only about half a dozen, whereas Dr. Klein in Michigan works with 21, and Professor Tinberg in Europe with 45.

The point I want to make, gentlemen, is this, that any system of mathematical equations and correlations involves, as I quite agree with my opponent, some degree of uncertainty, some working on probabilities. However, many of the matters with which we have to deal are not equations or probabilities at all, they are certainties, arithmetical certainties.

Some of my factors are certainties which are determined only by the laws of arithmetic; they are certainties and we can therefore reserve our brain power for the black arrows—dotted lines—which deal with the probable or uncertain consequences.

The artist has drawn it in a circle, and circle it is. Things go round and round in a circle. We will drop this talk about chain reactions and think in terms of circles and flow diagrams. It may be an increasing or decreasing spiral. It is not at all difficult for the economy to get into a beneficial spiral on the one hand or a vicious spiral on the other.

We will start with one of the certainties. The sales volume in the U. S. is fed by four lines, four certain and immediate factors. In other words, sales can only come from consumption, or from government expenditures, from purchases of producer's durable goods, and private construction.

Now a certain amount of the sales—not very much—represents imports, and those imports come back as exports together with a small additional amount for subtraction arising from foreign disbursement or foreign accumulation of United States dollars. I put this box in for the sake of completeness, but everybody knows it is a comparatively minor factor and we need not bother much about it either way.

Allowing for imports and exports we have sales of U. S. goods. There again we have two more lines, two certainties. The sales are either goods taken out of inventories or services, or non-disposable goods which go direct from producer to consumer. We cannot quarrel with that. We put in a black line because sales of some have some probable ef-

fect on the businessman's estimate of the future trend of sales.

I am asking you now to explore the interior of your own minds which is not an easy thing to do. I think two of the principal factors inevitably taken into account are first, how are current sales going? And secondly, how were sales this time last year?

I plead guilty to having constructed a rather simplified equation at this point for the businessman to take those two factors into account, but I think I can claim that I have taken the two most significant factors into account.

Now this is the real point: What decides the businessman in his placing of orders? Here you have to make a more elaborate examination of your own mind, and there even the statistician takes more factors into account.

Sales and the Monetary Position

I cannot claim that I have a perfect equation by any means but I am working on an equation that was set out in this "Econometrica" text. It has only been slightly revised since; and it is that business, in deciding whether or not to place orders, takes into account first of all not only the trend of sales—and that is only common sense—but also the present level of inventories, for that has a direct effect on the willingness to place orders. The present level of sales of course also comes in, I have concluded that. It comes in through estimate of trend of sales. Lastly, you cannot place orders if you have no money, and this is the point at which the money supply enters into and helps operate the system. Simply put, the decision as to whether or not you can afford to place an order depends on the monetary position.

Now we are getting to the more interesting part of the circle, gross revenue, in which I have included accounts receivable. Gross revenue depends on orders and sales of services and non-disposable goods. Now what I call disposable revenue is just gross revenue after paying excises and similar taxes. That is arithmetical certainty once again.

Uncertainty of Income Disposition

Now how these disposable revenues will be divided between profits and labor income is again a matter of probability rather than certainty, although in these days we know with a very high degree of probability how they are divided. If you include the salaries of management as labor income, generally speaking labor is getting close to 80% of the disposable net product and probably will continue to do so.

The labor income and some of the profits, and also social service payments combine to form spendable income. Now here again how much of the spendable income in fact will be spent is also problematical; it is undoubtedly affected by income tax and similar taxes but it is not hard to get a fair idea. We know that generally speaking with any change in income tax and similar taxation about half will affect spending and the other half will affect saving.

Again this is obvious common sense, that these profits are some of the principal factors determining how much will be spent on construction and how much will be spent on producer's durable goods.

When I was dealing with inventory I forgot to point out—although it is quite clear—the level of inventory depends on new orders on the one hand and on withdrawals on the other. In the same way the stock of producer's durable goods is gradually built up by the activities of past years and gradually depleted by depression of wear and tear; the same with construction. The gradually increasing stock of producer's durable goods is a slightly depressing factor on the orders for new producer's durable goods. In the case of construction, as I pointed out, the extremely high costs of construction are quite a serious factor affecting the orders for new private construction. We have now traveled right around the circle.

Although I should be far from claiming to have a precise description of everything that is happening, I do contend that we have succeeded in picking out the most important points in what is vulgarly called the vicious circle.

The point I do want to make as strongly as I can is that if you once start a movement running round and round that circle—and it takes a few months to get around—if you are not careful you may start a spiral movement which goes round and round the circle with increasing rapidity, doing more and more harm each time it goes round.

Spirals Controllable

At the same time I do not want to convey the fatalistic impression that such spirals are uncontrollable. They can be controlled, but the longer you leave it the harder it is to check it, it is like a fire.

If you ask how can such movements be controlled the answer is in the various boxes which are arranged around the edge of the circle. The five boxes on the low edge of the circle starting with "Money Supply" and ending with "Government Expenditures" are all switches controllable from Washington, that is assuming Washington can have the last word in Federal Reserve Board policy. They may or may not be expedient to be so controlled, but they are so set up.

The other boxes are things we cannot alter: foreign disbursements, previous year's sales, or stock of producer's durable goods. Unless you organize an earthquake or something like that you cannot alter those. So broadly speaking, those five items, plus construction costs, are controllable.

Now it is not for me to plunge into the very delicate issue of why construction costs are so high. The best information I can get from the experts concerned is that the unions, the employers, and the municipal authorities who regulate construction all have to carry a share of the blame for the low productivity and extremely high costs of the construction industry at the present time. Once those costs come down there is no doubt that a tremendous latent demand for new building is going to be released.

Now an increased supply of money will undoubtedly mitigate the recessionary trend. As I said in the "Manchester Guardian" articles, I pin my faith on tax remission as being most effective. A 10% increase in the money supply, which is quite a big proposition, would have the same effect as a $2½ billion per annum remission of excises. This remission of course must be a genuine remission and not accompanied by a corresponding cutback of Government expenditure. In other words, the unpleasant medicine which I recommend as feasible is a budget deficit, and I am well aware that many American legislators for perfectly honorable reasons are very much opposed to the idea of allowing such a deficit. However, if the legislators cutback Government expenditures or increase tax rates, then I should say a serious depression is quite inevitable.

I think the best policy would be for the legislators to advance boldly in front of the trouble and to make the tax remissions immediately, and if they did that the recession would be cured in a few months and I would be in a position to agree with Professor Woytinsky in putting even the second quarter of the year as a turning point.

The next alternative is that your legislators will not be willing to make specific reductions of tax rates apart from some excise reductions to which many of them already are committed, but at the same time as the recession goes on and anticipated revenues fall, if they are willing to pursue a policy of inactivity and allow the revenues to fall while keeping Government expenditure up, the deficit may build itself up to the required level.

During the worst months, which in my opinion will come more likely in August and September rather than the second quarter, if I am correct the deficit will have to be running at an annual rate of over $20 billion per annum. It probably will not have to run for a whole year (it is a high rate), but for some part of the year the seasonally corrected annual rate of deficit will have to run at about that figure. Those are the conclusions which I have drawn to which I will adhere until they can be shown to be incorrect.

I am well aware that it is not possible to concentrate such large reductions on excises alone but I strongly advocate doing everything you can to cut out excise taxes. I cannot follow Professor Woytinsky's reasoning that if you relieved the householder by taking taxes off his beer or his wife's fur coat he would not be able to spend the money profitably. I think every householder knows he would be able to spend the money very profitably and in a way which would restore employment in automobile and other trades without forcing up the cost of living.

Not Recommending Loans

Professor Woytinsky gave a rather condensed account of what I had said about the possibility of legislating to make loans abroad but I want to make it clear that I am not making any such positive recommendation. I discuss it as a possibility, but it would be entirely wrong for a foreigner to suggest anything of that sort, and particularly while the political and diplomatic situation is so delicate.

In my "Manchester Guardian" article I said, and meant very sincerely, that a lot of American legislators were under very heavy pressure. The pressures to which a Congressman is submitted from all sides are very, very serious and if he decides in his best conscience that it is more to the point to distribute the available economic resources among American taxpayers than among grateful or ungrateful beneficiaries in other countries he is entirely entitled to do so. All I want to say at this stage is that if Congress for some good reason of its own decides to make any distribution abroad I think it will have economically almost exactly the same effect as it would have if a similar distribution were made to American taxpayers by remitting excises.

I conclude with the point that prompt action is much the most valuable thing that can be done and if Congress cuts expenditures, forces up tax rates, refuses tax remissions, the situation by the latter part of the year may get out of control; whereas really prompt action may put it within a few months, within control. The intermediate course, letting tax revenues melt way, the deficits build up, if you ask me to predict as closely as I can what will happen, that will probably cause things to run down fairly rapidly until the third quarter of the year and then start a slow upturn.

However, you are asking me at this point to make not an economic but a political prediction, and I am of all of you the least qualified to make that. From what I do know of the American political system and the American people I should say that any long period depression is out of the question. If you are taking a view two or three years ahead as General Motors are then I think you can be very optimistic. What I do see is quite a sharp short period depression and a recovery which, if wisely handled, may be as rapid as the depression which caused it.

As I said at the beginning, such an event might do tremendous harm to American prestige in other countries, and I do sincerely hope that when your legislators come to face their responsibilities they will not earn for themselves that wretched epitaph Sir Winston Churchill pronounced on his unfortunate predecessor for the failure of the Norwegian campaign in 1940; that his action came too late and too little.

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"Recovery"—W. S. Woytinsky

buy new clothes for the children or repair the roof of the garage. A long time will elapse, therefore, before the additional purchasing power will trickle into the market. When enough of the excise-pennies saved have accumulated, consumers will begin to spend them on other goods. Thus it is fairly probable that the repeal of the excise tax on liquors and cigarettes will result in an increased demand for milk and meat. This will not bring a recovery, however. The increase in demand will probably cause a rise of prices of respective articles and result in higher cost of living. Workers will claim a raise, and those who are covered by a collective agreement with an escalator clause will be readily satisfied, while adjustment of other wage rates will meet with resistance on the part of employers. Thus, wage rates will catch up with the cost of living only after a spell of labor unrest, with unavoidable losses in production and employment. It is also fairly possible that as a result of the rise in the cost of labor, our exports will go down. I do not forecast that losses will be substantial and I sincerely hope that a new equilibrium will be reached on a level slightly lower than that before the experiment started. This optimistic forecast rests, of course, on the assumption that Colin Clark will not sell us meanwhile a new program designed to check the effects of his tax reform.

This reasoning does not imply that each cut in taxes necessarily leads to economic troubles. A reduction of selected taxes is a part of each program of struggle against depression. The question is, however, what should be the amount, timing and distribution of tax cuts. My contention is only that a massive remission of poorly selected taxes at a time when prices are stable and there is no sign of a deflationary spiral in the economic system may do more harm than good.

Mr. Clark's alternate program is not much better. From the standpoint of the immediate effect on business and employment in this country, it is irrelevant what happens to $20 billion worth of goods purchased in the United States by countries accepting its long-term, low-interest loans. They may use American capital goods to develop their productive forces, or distribute American foodstuffs among the needy, or stockpile them, or dump into the ocean. The immediate impact of all these actions on business in the United States will be precisely the same as if the government had itself dumped these goods. The important point is that the amount of goods available for domestic consumption will be curtailed by $20 billion. Since the reduced supply will confront an undiminished purchasing power of consumers and business concerns, prices will rise and the real wages of workers will go down. The extent of the loss to workers will depend on the selection of the goods to be destroyed or given away. As in the event of Mr. Clark's tax reform, workers will demand and obtain wage raises, and the rise in production costs will probably make export of United States goods increasingly difficult.

To sum up, both Colin Clark's programs belong to the class of shock treatment with drugs which may be harmful or harmless to the germs, but will not fail to cripple the patient.

The Fallacy of Mathematical Models

Since programs similar to those advanced by Mr. Clark are not altogether new for the American public, it is worth while to explore their theoretical background. Mr. Clark's presence here allows me to discuss this matter without exposing myself to the reproach of fighting a straw man.

After having described the danger signs in the American economy, Mr. Clark confessed in his first article in the "Manchester Guardian" that his reasoning "falls within the description of dull, if not indeed platitudinous, financial journalism," but, despite this confession, he stressed the point that it is "a verbal or nonmathematical expression of a *series of equations which suffice to predict . . . the movements of the business cycle.*"

What are these equations? Both the long-run growth and the current ups and downs in business conditions are reflected in statistics related to production and consumption, sales, prices and wages, employment and hours of work, imports and exports, changes in inventories, investment, bank deposits, money in circulation, and so forth. The "Survey of Current Business" publishes approximately 2,000 such series every month. There are also numerous quarterly and weekly series that can be used for business analysis.

The Actual Interrelation of Economic Statistics

Practically all the series are interrelated, to different degrees. For example, statistics of consumption, production, sales, inventories and income and money supply tend to increase with the economic growth of the nation; almost all figures related to industrial production and employment reflect the short-run ups and downs in business conditions; many are subject to seasonal fluctuations. There is, therefore, a vague similarity between the movement of series of the same class or between the curves which represent their movement. This similarity may be strengthened by an appropriate choice of the units of measurement and the point from which changes are measured, and by replacing original data with ratios or moving averages, excluding the trend component and making allowances for seasonal variations.

The similarity between two series can also be expressed mathematically. It is found, for example, that physicians' fees in the United States equal approximately 1% of the national income.

If you have enough time you can establish thousands of such relationships among the series in the "Survey of Current Business," and calculate one value from the other. If you cannot make them fit satisfactorily, you may write to Colin Clark or to me, and we shall advise you how to improve the fit. In most cases our advice will be identical. There is, how-

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ever, one important exception. Eventually, Mr. Clark will suggest that a statistical value be expressed as a function of two or three other values (the trade name for this method is "multiple correlation"). I, on the contrary, shall warn you never to do such a thing: this procedure is defensible only when the data used for calculating unknown values are entirely independent of each other. The formula becomes meaningless and misleading when the data are interrelated as are practically all economic statistics.

After interrelationships among different statistical series have been established, one can describe the operation of the whole economy by a system of equations. This simply means that certain characteristics of business conditions are described as mathematical functions of other characteristics. For example, one can express savings and employment as a function of national income, or national income as a function of savings and employment.

Such equations, often called "mathematical models" of the economic system were in great demand in Washington in the 1940's and served as crystal balls in predictions of postwar depression.

In the issue of "Econometrica" of April, 1949, Mr. Clark tried to portray the operation of the United States economy by a system of equations related to five factors:

Public expenditures,
Exports,
Quantity of money,
Stock of capital goods, and
Changes in inventories.

It seems that he has now added to his list a sixth factor—construction costs. He calls these values "exogenous," or independent, variables and from them he determines personal consumption expenditures, gross national income, imports, and so forth. These are the equations which, according to his statement in the "Manchester Guardian" "suffice to predict the movement of the business cycle."

What is their value? What, for example, do we learn from the statement that new private construction growth equals one-fourth of the growth of gross national product, minus one-seventieth of the accumulated value of construction in the preceding 40 years, minus $3.57 billion? (This is simplified expression of one of Mr. Clark's equations.)

Such a statement may be moderately interesting as a description of past experience, but it conveys no knowledge of the interdependence of the volume of private construction and national income. Least of all can it predict national income and construction activities in the future, say in 1954 or 1955.

The fallacy of mathematical models of the economic system as a means of economic forecasting was conclusively demonstrated in the 1940's. To pull a white rabbit from his hat, the magician must first put the animal there. Economic equations are such magician's hats. If you know the trick, you need only look at the system of equations to know what kind of white rabbits they contain, and what "assumptions" must be used in order to let the rabbits loose. In the case of Mr. Clark's equations, if you assume a cut in inventories by $2 billion, you pull out from the model a loss in purchasing power of approximately $20-$25 billion. This is how his equations—his magician's hat—work.

Originating Causes of Depression

In substituting a mathematical model (or equations) for the observation of economic processes, Mr. Clark fell into the same trap as the American prophets of doom in the 1940's. Observing his equations, he has discovered four possible originating causes of depression: a decline in exports; a decline in government expenditures; an increase in taxation without an increase in government expenditures; and an attempt to go on collecting the same amount of taxation when business activity and income are declining. Similarly, the prophets of the postwar depression, looking at their models, decided that depressions result automatically from the growth in national income and oversaving. Actually, however, there may be thousands of causes of a depression such as excessive real estate and stock speculation followed by a disorganization of the financial system; a financial panic; industrial unrest; a false fiscal policy; sudden changes in money policy; rapid geographic shifts of industries; monetary inflation followed by a deflation; unsettled political conditions affecting the will to invest; retardation in the growth of productivity of labor; the shift from a war (or cold-war) economy to a peacetime economy; and the coincidence of several local and partial dislocations in production.

The economic system is exposed, at any one time, to divergent pressures. Forces of expansion and growth clash continuously with depressive factors. Danger signs are always around us! Their number grows as the speed of economic progress increases. To check danger we must have a deeper insight into the economic system than a "model" can provide.

Forces of Recovery

Characteristic of a booming and vigorous economy is not the absence of danger spots, but the presence of dynamic, recuperative forces able to overcome them. Such forces in the United States economy are: a growing population; the widespread desire of people to improve their living conditions, to live better than their fathers did, and to ensure to their children more comforts than they can afford for themselves; the relentless technological progress; the abundance of natural resources, including the variety of climatic conditions and the geographical location between two oceans; the human factor—aggressive management, a competent labor force, and the genius of improvization in an emergency.

These factors, however, do not ensure a perfectly smooth economic progress. The growth of our economy may be interrupted by setbacks of varying severity, and some of them may require a resolute intervention of the government. The methods of intervention, however, must be adjusted to the specific character of the emergency and cannot be reduced to the prescription of horse-size doses of bleeding or blood transfusion—the only two medicines in the books of builders of mathematical models.

An economy described by half a dozen equations has no recuperative force and appears extremely brittle, ready to collapse as a result of any disequilibrium. This is the cause of an occupational disease observed among builders of economic models: surrounded by these strange contraptions, they become victims of hypochondria.

Recent Trends

From the disheartening spectacle of economic models let us shift to developments in real economic life. What is ahead of us?

To answer this question, we must turn to current economic records. I shall now try to read with you the danger signs of a slump in 1954, as they are reflected in our business statistics.

Gross national product declined from $372 billion (at an annual rate) in the second quarter of 1953 to $365 billion in the fourth quarter. It is noteworthy, however, that the decline came after a spectacular $10 billion jump (at an annual rate) in the second quarter. The loss in the second half of the year may be due at least in part, to this excessive increase in the spring.

Personal incomes remained practically unchanged from June-July to the end of 1953. It was, on the average, $9 billion higher for August-December 1953, than in 1952.

Farm income in 1953 was approximately $1 billion below the 1952 level. Nonagricultural income levelled off on a plateau approximately 4% above the level of the preceding year.

Personal consumption expenditures did not decline in the third quarter of 1953 and hardly went down in the fourth quarter. At the end of 1953 they were probably 3% higher than in 1952.

Business sales fluctuated within a narrow range. The downward trend in the spring of 1953 was reversed by an upswing in July, followed by a new drop in August. The movements were mixed in the latter part of the year.

Business inventories increased slowly but steadily until September 1953 and declined slightly in October. Inventories of manufacturing industries grew until June, remained stable from July to November and rose to all-time peak in December. In this respect, the year 1953 is in contrast to the experience of 1949, when manufacturing inventories went down $3 billion. If the recession of 1949 was an inventory recession, this term obviously does not apply to the recent development.

More alarming are the changes in **industrial production.** Total industrial output declined 5% from the high plateau on which it remained between February and June of 1953; manufacturing production went off about 6%. Losses were mainly concentrated in durable goods industries. Output of nondurable goods in November 1953 was practically the same as in July. In general, industrial output was at the peak in the early spring of 1953 (March) and declined sharply in the summer. After July the downward movement slowed down and in many industries reversed itself.

It is worth while to notice the upturn in production of alcoholic beverages, leather, meat packing and paper and paper products, and in various branches of the chemical industries.

Contract construction showed no sign of weakening in 1953. Until the late autumn, new construction continued on the same level as in 1952 and 1951. If the increase in cost of construction is taken into account, it appears that public construction lagged slightly behind that in preceding years while private construction more than held its ground. The value of contracts averaged $1,650 million per month from July to November 1953, as compared with $1,510 million in 1952, an increase of more than 9%.

Changes in the size of the **civilian labor force** have been determined mainly by the interplay of four factors: the natural growth of the population (an increment in the number of workers of 500,000 to 550,000 each year), enrollment of young men in the armed forces (approximately 2,000,000 since the middle of 1950), an influx of marginal workers as a result of more-than-full employment, and seasonal fluctuations (influx of temporary workers in the summer). The pattern of recent variation is not clear. The civilian labor force at the seasonal peak (average for June-August) declined from 65.1 million in 1950 to 64.5 million in 1951 and later increased to 64.6 million in 1952 and to 64.7 million in 1953. Its size in January was up while in the last quarter it declined. It is possible that in the latter part of 1953 some marginal workers were squeezed out of the labor force, but there is no way of proving this hypothesis. Currently, the total labor force is slightly inflated, in relation to its long-run trend.

Civilian employment has been maintained on a very high level with comparatively small seasonal ups and downs. Nonagricultural employment reached its all-time peak in August 1953 (56.1 million) and declined by 1 million by October—precisely the same seasonal decline as in 1952 and 1951.

Unemployment was below the level considered as characteristic of a full-employment economy (2.5 to 3 million). It was particularly low in August 1953 but increased and returned to the 1951 level in the latter part of the year. Its further growth is anticipated.

Employment in nonagricultural establishments shows mixed changes. Since August 1953, employment in manufacturing industries declined steadily. Several hundred thousand workers were laid off, and further reductions in personnel were in sight. The losses in manufacturing industries were, however, partly offset by increasing employment in wholesale and retail trade and in government.

Average weekly hours of work in manufacturing industries went down steadily from December 1952 to September 1953, recovered slightly in October, and declined again in November, reflecting the decline in the amount of overtime and the spreading of part-time work in some factories.

Consumer prices inched up in the first half of 1953 and remained stable after June. The wholesale price index fluctuated within a very narrow range, averaging 109.8 in the first quarter of 1953, 109.5 in the second quarter and 110.8 in the third quarter.

Average hourly earnings rose slowly but steadily. **Weekly earnings** were at an all-time peak in March 1953, declined slightly more than 1% by September, and recovered in October.

Prices of common stocks were most sensitive to changes in business conditions and the expectations of the business community. The Standard and Poor's index reached a peak in March 1953, declined in the summer, touched the low point in September (nearly 10% below the peak level) and then rose steadily in the next three months.

In order not to stop on this optimistic note, let us look at the most ominous danger sign—the dwindling **output of steel.** After having reached a peak of 10.2 million tons in March 1953, the monthly output of steel dropped to 8.7 million tons in November—a loss of more than 15%. One should also note that the November 1953 output trailed by 7% the figure for the same month in 1952. It must be remembered, however, that steel production in late 1952 and to some extent in the early part of 1953 was bolstered by the strike in the summer of 1952. Steel output in the first 11 months of 1953 totaled 103.7 million tons, as compared with 83.4 million tons in 1952—an advance of more than 24%! If steel builds the sinews of an economic system, the United States is in good form to meet the challenge of a slump.

Summary of Observations

This brief examination of recent economic trends is intended to be nothing more than an exercise in reading the danger signs on the wall.

Let us try to piece together the conclusions from the data examined. The slowing down of economic expansion and the contraction of economic activities in the latter part of 1953 are undeniable. It is difficult to measure the absolute and relative loss, but it is fairly certain that the setback did not wipe out the growth of our economy in the early part of the year. Thus, despite considerable losses in some lines of production—especially in manufactures of durable goods (including munitions)—the level of economic activities was higher at the end of 1953 than at the end of 1952. This development can be represented by the movement of gross national product. If its value in the first quarter of 1953 is taken for basis of comparison as =100, it advanced to 102.5 in the second quarter and fell back to 101 in the fourth quarter. The ups and downs in various economic sectors deviated from this simple pattern. Some industries reached the peak in March, others in June, a few in August, but, in all, economic activities were expanding until the middle of the year and contracting in its second half. The downward movement was very slow, it did not gain momentum, and by the end of the year expansion forces began to prevail in some industries. An upturn was noticeable, among others, in business, which is supposed to foreshadow the trends in other industries: I mean the trade of business forecasting. Some economists and agencies that had been rather gloomy in the middle of 1953 shifted to cautious optimism or optimistic caution by the end of the year.

Outlook

In my personal opinion, the current economic trends suggest that the "adjustments" have not yet been completed. Considerable layoffs may be anticipated in some industries, especially in manufacturing. The volume of construction may decline. Production of automobiles may be cut in the second half of 1954.

On the other hand, there are no indications of a precipitous contraction of the over-all volume of economic activities; personal disposable income and consumption expenditures are likely to increase as a result of cuts in income taxes; consumers seem to be reasonably bullish; investment plans are being stepped up rather than revised downward; the steel industry anticipates an expansion—perhaps temporary—after February; there is no indication of a sizable reduction in business inventories in the near future and no danger of a deflationary effect of the revision of the defense program. In brief, it seems that the United States economy is close to the low point in the current adjustment process.

If a period of buyers' markets, hard competition, and weeding out of marginal, inefficient enterprises, even on a high level of economic activity and income, is described as a "recession," the United States has entered the year 1954 **in the advanced phase of a recession.** This is a new type of recession, however, a type that is not described in textbooks. For lack of a better term, I should like to label it as a **recession de luxe,** very comfortable for those who are not directly hurt, although it brings difficulties to certain industries and individual firms and causes hardships to many worker families. The distinction between a recession of this type and a high plateau of prosperity is subtle and is a marginal question of the economic science and semantics.

Because of the dynamic character of our economy, a sidewise or downward movement of this type cannot last long. My guess is that it will be of shorter duration than that in 1949: the hollow trough may be reached in the first quarter of 1954 and the upturn may begin in the second quarter, coinciding with the seasonal upswing in employment. If this

guess proves to be correct, the volume of economic activities by the end of 1954 may be close to the trend line as indicated by its growth in 1951-52. This would bring the gross national product to $380-385 billion at an annual rate, personal income close to $300 billion, the industrial production index to approximately 250 (as compared with its present level of close to 230), and the index of manufacturing production to approximately 260 (as compared with its current value of 240-245).

This is my tentative answer to the question — 1954: **Depression, Recession, Recovery?**

A sobering remark should be added to this diagnosis. The most vulnerable spot in the present situation is employment. The labor force has been inflated by the recruitment of marginal workers. In the past two years the output per man-hour lagged behind the assumed trend (increase of some 3% a year). The current adjustments may, therefore, squeeze marginal workers out of production. A rise in unemployment in the first quarter of the year can be anticipated, and nobody knows how far it will rise. I share the opinion that unemployment may be close to 2.5 million, or 4 to 4.5% of the total labor force in February or March. Although this rate of unemployment is compatible with the concept of a full-employment economy, it would imply serious problems to many individuals.

Desirable Program of Action

In the past few months numerous proposals have been made for checking recession, preventing depression, and accelerating recovery. Most programs are running in the same direction, and differ only in detail, emphasis, and social philosophy. Other programs are unworkable and would bring more harm than comfort to the United States economy.

At the beginning of this paper I explained why I reject the plan offered by Colin Clark: his overdosed antideflationary program of action is tailored to an economic model which has only a remote and purely accidental similarity to our economic system. Since this system shows no signs of a general deflation, it cannot be helped by his medicine.

Generally speaking, most American economists agree on the measures required by present economic conditions: an easy-money policy, liberalization of credits to construction industries, activation of long-overdue public works, selective tax reduction, aid to farmers, strengthening of the unemployment insurance system and other forms of social security.

However, the advantages promised by each measure must be weighed against its undesirable implications. Essentially, this is not a problem of restoring artificially the purchasing power that is lacking but one of ensuring the most favorable environment for the interplay and development of economic forces. Much harm would be caused if too little is done and necessary measures come too late. But this is not the sole danger. Much harm would be done also if energetic measures are taken too early and in the wrong direction.

To sum up, my analysis of current economic trends does not minimize the need for a bold and firm economic policy. My prognostication of a prompt economic upturn rests rather on the faith in the dynamism and flexibility of our economy, the genius of the American people, and their ability to take proper decisions at the proper time.

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Observations . . .

In fact, he has actually indicated his moving over to agreement with the General Motors' "billion dollar prosperity bet" excepting for a relatively minor quibble over the short-term interlude.

But Clark's qualitative argument is subservient to the engineer's elaborate and precise mathematical model of the economy embodying a series of equations designed to predict the movements of the business cycle. This model-building by equations and mathematical analysis likewise appears to us as gross oversimplification and eclecticism; with particular vulnerability to the uncertainties of savings and investment estimates.

A Counter-Model

Particularly interesting is it that also in the *Manchester Guardian*, following the Clark articles, on Jan. 7, 1954 there appeared an equally respectable mathematical model by two authoritative American technicians, Messrs. A. L. Goldberger and L. R. Klein of the Department of Economics of the University of Michigan which, while not quareling with Clark's attending political and economic factors, disagrees radically with the Clark conclusions for the 1954 U. S. Their mathematical findings bring forth a forecast limiting unemployment increase to 800,000, and setting gross national product at $174,800 million at 1939 prices. The Michigan economists, on the basis of their own model, further predict for 1954: personal income about the same as 1953 and higher than 1952; farm income 10% above 1953; consumption above both 1952 and 1953; prices 10% higher than 1953; employment practically unchanged; and real corporate profits higher after the payment of taxes.

* * *

Skepticism About the Skeptic

Equally disillusioning on the forecasting front is the net impression left by Professor W. S. Woytinsky of Johns Hopkins, who joined in debate with Clark at the Conference Board's embroglio.

Professor Woytinsky is well qualified to lead the opposition (albeit it turned out to be "the Loyal Opposition"); having long specialized in labor economics as well as in the field of population, social welfare and living standards. Born in Russia, he left it in 1918 for Germany where he became head of the Statistical and Economic Department of the German Federation of Labor. After serving the ILO in Geneva, he came to this country in 1935, and is now a research director and author for the 20th Century Fund in addition to his post as Professor of Economics at Johns Hopkins.

Dr. Woytinsky first aptly pointed out that the danger signals which Dr. Clark cited in his *Manchester Guardian* articles had been "discovered" falsely in this country continually since 1943 when this country was approaching the end of its war economy. When these prophecies persisted in their error, the forecasters became quite hysterical, and "finally things became so confused that the business of business forecasting became dull." He tellingly cited the margin of error inherent in the widely-publicized forecasting polls taken at the scientific societies' meetings in Washington in late December.

Professor Woytinsky then effectively showed the difficulty in predicting the effects of government-induced depression remedies. As for results from Clark's consumption tax cuts, he remarked: "You have to drink a lot of bottles of excise-free beer in order to save enough buying power for new clothes for the children or to repair the roof of your garage. . . . [Dr. Clark's] programs remind me of shock treatments which have been widely advertised but never checked properly. These drugs can be harmful or can be harmless for the germs, but they are always harmful for the patient, and secondly may prove to be much more harmful than the diseases for which they were intended."

Professor Woytinsky then launched a devastating well-documented attack on Clark's Model "flow chart" containing his system of precise mathematical equations for predicting the movements in the business cycle. He wisely emphasized that he was not merely negating the forecasting powers derived from the equations of Professor Clark, but the equations of *all* economic analysts. After characterizing model-building as an "occupational disease . . . hypochondria"; he followed with the sound conclusion: "None of these indicators can cast light on more than one single factor, one small sector of the economy."

So far so good with the realistic and prediction-debunking Woytinsky! **But, alas! After so impressively implying the difficulties, if not actual impossibility, of forecasting business movements, he nevertheless promptly entered into precision-forecasting on his own account**—to wit:—that while current adjustments have not been completed, there definitely will be no precipitous contraction of overall activity; and that the economy is now close to its low point—marking a mere "recession-de-luxe," with late 1954 production to rise by 10%.

* * *

Apparently no professional economist is prone to withstand the heady wine coming from the role of forecasting. Not so the businessman! Said Crawford H. Greenewalt, President of duPont in San Francisco last week: "When I'm asked whether business is going up or down, and if down, how much, I become deeply embarrassed. If I tell the truth and say I don't know, people think I'm an ignorant fellow. If I close my eyes and say up 5% or down 10%, according to my mood of the time, I am violating a cardinal principle of my scientific mind." Hence this industrial leader confines his forecasting to cover half-century periods.

Continued from page 11

Present Business Situation Can Resist Contraction!

There is today an abundance of capital and credit for all sound and worthy enterprises. This should encourage people to go ahead with investment programs, and in any event will keep the situation free from the money pressure and forced liquidation that have aggravated business declines in the past.

Another thing—when a downward spiral such as some people fear has developed before, it has usually been preceded by unbridled optimism — the "new era" stuff — accompanied by active speculation in securities, commodities, real estate, or whatever people may have turned to at the time; and by excessive credit expansion for such speculative purposes. The stopping point has been reached, the expansion reversed, and the downward spiral started when the money "ran out." It would be hard to show that any like or analogous conditions, or any similar danger of massive credit liquidation, exists today.

On the contrary, we had our great speculative binge after Korea, and since then have got it pretty well out of our system. The aftermath of the Korean boom was a sobering experience, and that together with the commodity price trend over the past two years has offered little incentive to stock up far ahead. More recently the increasing availability of merchandise and the constant talk of recession—especially since the Korean truce last summer—have encouraged a general shortening of commitments. Certainly the present letdown is one of the most widely anticipated and best advertised we have ever had.

Today commodity prices show none of the weakness usually associated with periods of falling orders and declining production and employment. In part, this is due to the influence of government price support programs under which free supplies of numerous agricultural commodities have been reduced, thus creating tighter markets. In part, it is due to special circumstances, such as the sharply reduced crops of coffee and cocoa. But it reflects also the fact that prices of primary foodstuffs and raw materials had, like wool, already been well shaken down from the Korea-induced peak early in 1951, and are back to pre-Korea levels. At this point, resistance to further decline has become greater, due to high production costs and to the beginning of the corrective action of curtailed output. Meantime, actual consumption has continued high, both in this country and abroad.

No Cycle of "Boom and Bust" Likely

The situation, in short, does not bear the usual hallmarks of the cycle of "boom and bust."

Finally, we have in Washington an Administration in which the business community can have confidence, which believes in fostering individual incentives, and which has declared its intention to supplement private initiative in maintaining a strong and growing economy.

All of these indications that 1954 should be another active year for business generally, though probably not equaling the record-breaking 1953, suggest that the clothing and soft goods lines also should have an active year. These industries should, in fact, hold up better than some of the hard goods lines and those associated with national defense and capital equipment, which in recent years experienced boom conditions and expanded greatly their capacity. In contrast, the soft goods industries tend to enjoy a more stable demand, as their products are consumed more rapidly and people, by and large, have less leeway for putting off buying.

The Soft Goods Situation

During recent years so much of the consumer's money has been going into new motor cars, new homes, appliances, and the like that the soft goods lines have tended to suffer relatively. Now that the hard goods boom appears to be passing its crest, the pendulum may be swinging the other way. While the warm weather during the fall retarded the sales of heavy-weight apparel, sales of seasonable goods this spring should be more normal, assuming no serious deterioration in the general situation. Meantime—as an underlying factor of support—the raw wool position appears strong, with world demand and supply in good balance, and with U. S. stocks of apparel wool on December 31 showing the lowest end-of-year carryover since 1941. From a longer point of view, the proposed Eisenhower wool program, if enacted for 1955, may result in lower raw wool prices and consequently by making wool more competitive with other fibers, increase its use.

None of this is to say that either soft goods in general, or the apparel industries in particular, face an easy time of it in 1954. On the contrary, it is generally expected that this year will bring continued keen competition. We all know the problem of over-capacity and over-production that has plagued the textile industries in all save boom years. Yet experience has shown that there is always a place for the producer and the distributor who has something to offer that the public wants and who offers it at a price the public is willing to pay.

In the case of apparel, changes in the character of our living have wrought great changes in the kind of things we buy. The trend to suburban living, with its emphasis upon casual clothing, has brought a lessened demand for conventional types, and preference for slacks, jackets, woolen shirts, suits, and so on, of distinctive color and design. Standards of taste today are better and more individual. Merchants now have to be very much on their toes with attractive articles in the right style, at the right time, and at the right price. All these factors, while adding to the problems of merchandising, are at the same time creating opportunities for those who are prepared to seize them.

For the textile industries, this return to more competitive conditions is not something to be feared as abnormal; actually it is only a return to what has been familiar and regarded as "normal." Working under conditions of pressure puts every organization to a test, but it gives the more alert and efficient a chance to demonstrate their superior qualities and push ahead. This test, looking at American business broadly, is a good thing. Most of us, as has often been said, do our best work when faced with a challenge.

Continued from first page

Can We Stabilize Employment?

ation since the beginning of the Industrial Revolution, two centuries ago.

While we have been concerned about stability as a general goal —and mostly with praiseworthy motives—it remains true that people are people, and therefore to some degree inconsistent and selfish.

Our friends in the labor unions, for example, have been greatly concerned about stabilization of income for employees, but their interest in stabilization of income for share owners — who are frequently the same people — approaches absolute zero.

Businessmen are greatly interested in the stability of prices and costs; that is to say, **their** prices and costs. As to their suppliers, they take a somewhat different view. Government officials, judging by their actions, have certainly had a strong interest in stabilizing taxation and spending.

Yet all these groups—so concerned with stability—are always hopeful that the prices of pork chops, television sets, automobiles, clothing and other items will somehow go down.

It seems to be an almost universal truth that men are interested in stability only in their capacity as sellers and never in their capacity as buyers.

The one exception to this rule is our common interest in the stabilization of employment, because we all understand that it is to our own interest—whatever our occupations may be — that as many other people as possible be gainfully employed. In this respect, we are all for one and one for all.

This unity is sometimes confused by discussions of such topics as the guaranteed annual wage. The guaranteed annual wage idea is an attempt to achieve stability of income for a certain group of workers. It is related to, but far from being identical with, stability of employment.

Obviously, if we could achieve stability of employment on a wide and general scale, the problem of the guaranteed annual wage would automatically disappear, because stability of income must follow stability of employment. It is far from being certain, however, that the reverse is true, and that stability of employment will result as a consequence of stability of income. That doubt is what a large part of the argument is about.

All this is preliminary to saying that I am not going to talk about the guaranteed annual wage. . . .

I was asked to talk about the basic problem of stabilizing employment. I have no over-all solution to offer for this problem, and I will not attempt to offer a general analysis of it as it affects the nation.

I will attempt to illustrate for you, from my own business, some of the attempts we have made and some of the obstacles we have met in trying to grope our way toward more stable employment. You can consider these remarks, if you like, as in the nature of a case history. I must admit at the outset that it is not the history of an outstanding success. Neither, I hope, is it the history of a complete failure.

The Harvester Company, as you probably know, began its existence many years ago as a farm implement manufacturer. It would be hard for any one to find an industry more naturally seasonal, more subject to ups and downs, than the farm implement business.

To illustrate the point, the typical farm implement plant of 70 or 80 years ago was a small factory in a small town. It made one or two products, perhaps a grain binder and a grain drill, or some such machines. It began production in the fall and worked through the winter, making and shipping machines. When spring came, the plant shut down and stayed shut until the following fall.

Farmers Predominant

The employees were not factory workers by profession and probably never thought of themselves as such. They were predominantly farmers and farm boys from the neighborhood of the plant. When the farm season ended with the fall harvest, they went to work in the plant. When it came time for spring plowing, the plant closed down and they all went back to their farms for the summer.

That is the background from which our company came. It did not result from any callousness on the part of farm implement manufacturers. It was just the natural result of a highly seasonal industry.

In recent years, as business people have talked about the problem of stabilizing employment, one of the suggestions that has been most often made and most widely adopted in industry has been to diversify the line of products.

Our company has done a great deal of that, to the point where we are now engaged in at least six different industries. The later developments of this sort have represented conscious planning on our part. But I must say, as a matter of honesty, that the earlier developments were probably undertaken with no thought of stabilized employment in mind.

Originally, all farm implements were animal-powered. But starting about 1908 we entered into the manufacture of farm tractors and, at about the same time, we began the manufacture of motor trucks which were originally sold almost entirely to farmers. We were already engaged in two other industries—the cordage industry, through the manufacture of binder twine (and now baler twine), and the steel industry through our possession of a medium-sized steel mill in Chicago which sells a part of its output to Harvester and the rest on the open market, in varying proportions.

Almost 20 years ago we began to get into the industrial power field, through the manufacture of crawler-type tractors and Diesel engines, and that line has now broadened out to become a full line of earth-moving and construction equipment.

We began in a small way in refrigeration in the middle 1930s, manufacturing milk coolers for the dairy farmer. Immediately after World War II we voluntarily dove into the highly-competitive refrigeration industry, and we now make a line of home freezers, household refrigerators, room air-conditioners and dehumidifiers.

The result of all this has been that, while the farm market is still the backbone of our business, we no longer rely on it exclusively and many of our products find their chief sales in the urban market. Our sales in the urban market alone, during 1953, considerably exceeded in dollar volume the total sales of the company for any year before 1942.

What has been the consequence of all this diversification in terms of stabilizing employment? Frankly, I don't know. I can see how it has stabilized sales and income for the company. I can see that it has created many more jobs than used to exist in Harvester. It has expanded our products, our usefulness and our employment. It has probably had some helpful effect on stabilizing employment but I can't trace that effect and prove it to you.

If all our products were made in one plant, I am sure diversification would have helped greatly toward stability. But since our products are made in more than 20 plants, I consider it dubious. When the farm tractor market goes into a swoon, as it recently has, the employee in a tractor plant is not stabilized much because other employees in—say—the Refrigeration Division are still at work on a full schedule.

Product Balancing

This idea of diversification led us, however, to another idea applicable to a multi-plant company, which does work. This is what we call the principle of product balancing. By that, we mean simply that we try to put into a given plant the products which will give it a year-round schedule of reasonably even employment.

This problem is largely related to the farm implement plants and some collateral plants. In the farm implement plants, since farm machines are still used seasonally, production of most machines is also seasonal. The same floor space, the same employees and the same tools may be used at different times of the year to produce different products. Some implements are made in large quantities and others get only short runs.

For example, at our McCormick Works in Chicago we make side rakes and mowers. While they are used only in summer, the quantities involved are large enough so that we can produce them on a year-round basis. In the same plant, however, we also make ensilage cutters. The output is rather small and they are used only in summer and early fall. We schedule production of them from December through March. We then build ensilage blowers, on which the best selling season is the fall and winter. We start producing these in August and continue through December or January, depending on orders.

By this kind of balancing, we have been able to make progress in regularizing employment in the implement plants, where the problem is the greatest. It is our belief that this sort of product balancing or diversification within a single plant is a real help in job stability. But if you ask me whether it is a complete answer, I must tell you that it is not.

One reason is that the machines must be manufactured considerably in advance of their season of sale, if they are to be distributed all around the country in time for use. We don't know what the weather will be, what the crop yield will be. So it is quite possible for us to find ourselves with a quantity of machines that considerably exceeds the eventual sales requirement.

When that happens, we carry over inventory and that inventory d e p r e s s e s the manufacturing schedules and the employment for the following year. It is a sort of delayed-action bomb. That, incidentally, is one of the problems Harvester has right now and it has affected our current employment adversely.

But that brings me to the third principle which has frequently been put forward as a help toward stabilizing employment. This is the principle of careful forward planning, of extensive market analysis and careful inventory control as a means of stabilizing employment.

We have put great emphasis on this phase of our efforts. We make economic forecasts ranging two years ahead and adjusted at reasonable intervals. We have an Estimate and Order Review department which constantly reviews all factors affecting the future market. We have calculated "normal" yearly schedules for our thousands of products, based on ten year figures. We receive all sorts of crop and other reports. I am sure we have made progress and that we are doing a better job in this area than we were ten years ago. But we can still be wrong and we can still be taken by surprise, and have to make sudden shifts in employment, upward or downward. In late 1953 we had to make rapid revisions downward.

The principal reason for this is the mercurial nature of the buying habits of our farmer customer. If any of you have had experience with the farmer as a customer for durable goods, then you know that no customer can display a more eager desire to buy, or a more complete apathy toward buying—or go from one position to the other more quickly. When farmers decide not to buy they don't taper off. They stop, right then. That happened to all the farm equipment companies in 1953. So again, the principle of forward planning is a help, but not necessarily a solution to the problem of steady jobs.

Still another recommendation that has frequently been made is that business should expand into new markets, especially into overseas markets, with the idea that this will help bring job stability.

I believe we have as much experience in this area as most American corporations, since our overseas business dates back to 1851, when Cyrus McCormick exhibited his reaper at the Crystal Palace in London. Last year we sold abroad more than $150 millions worth of goods made in our American plants. There is no question about the help that those sales gave to employment in our factories here.

On the other hand, we have had the same experience every other company similar to ours has been having, namely: if we are to stay in business in foreign markets, we must do an increasing share of the manufacturing for foreign countries in those countries. Last year, goods made in America and shipped abroad constituted slightly less than half the goods sold by our foregn subsidiary companies. The rest were manufactured abroad.

It has always been necessary for us to do some manufacturing overseas because machines used in some foreign countries have no market in the United States and are not made here at all. But the biggest reason for expansion of overseas plants and production is the political and financial barriers that surround world trade — blocked currencies, import restrictions, tariffs and the rest. If we did not manufacture abroad, we would lose much of the sale of American-made goods which we now have.

Foreign Markets a Help, But Not Cure

So the principle of expansion into foreign markets is another of those ideas which helps but does not cure. Incidentally, it really helped us in 1953, for foreign sales were up while domestic sales were somewhat down.

There is another theory sometimes advanced for the stabilization of employment. That is the idea of deferring maintenance and construction work and doing as much as possible of it when times are dull.

Our experience is that a little can be achieved in this way but not very much. There are two reasons for this. One is that maintenance and construction work seldom employ the same kinds of people or the same individuals as production work. Union restrictions and other problems enter in. The biggest reason, however, is that necesary maintenance can be deferred only so long without threatening a possible breakdown of operations, and that new construction is not usually undertaken when times are bad. Maybe it should be, but the record will prove that it isn't. Businessmen are subject to fits of pessimism as much as other people, and they rarely expand their facilities in the face of a declining market.

Finally, there is the theory that one way to avoid sharp curtailments of employment is to avoid sharp increases in employment—a sort of ever-normal jobs idea. Under this theory, in times of expansion and high production, instead of increasing our own facilities and our own employment we should subcontract more work and thereby avoid radical changes in our own employment. The idea is that when things drop back, we just drop some subcontracts.

We have quite a bit of experience with that idea. In normal times the Harvester Company buys goods or services of various kinds from some 35,000 suppliers, big and small. No business like ours can possibly begin to provide for itself the thousands of kinds of specialized products and services it needs. Henry Ford set out to do that once, many years ago, but even he eventually had to give up.

This again is an idea that has some good in it, but is far from being an answer. For one reason, no company can be ruthless in chopping off its suppliers when the market turns down—not if it wants to have good suppliers when the market turns up again and components are hard to get. For another reason, it is often true that the company itself can produce the needed items more efficiently and at a lower cost than any supplier. For a third, it doesn't seem to solve the public problem to preserve a steady work force on the payroll of Company A but have wildly fluctuating employment in the plants of its suppliers, Companies B, C, and D, depending on whether Company A is buying or not.

So this, again, is an idea that is good within limits but the limits are soon reached.

Now, those are some of the ideas that we have tried and are still trying in my business. Obviously, some would work much better, and some might have no application, in businesses of other types. We are interested in the problem; we try to work at it steadily; but we do not have and have not had the kind of success we would like or our employees would like.

Employment Reduction

Since June of last year our total employment has probably been reduced by about 20%. Much of that represented lay-offs. Some of it represented normal quits who were not replaced.

Maybe that is just because the management of our company is dumb. I won't argue that question. Maybe the similar experience of the rest of the farm equipment industry indicates that the whole industry is dumb. I don't believe that. We may be a little thick but I don't believe we are 20% dumber than the rest of industrial management.

So the problem of job stabilization in our type of seasonal, durable goods industry now looks something like this to me:

(1) Because we have not had 100% success is no reason to quit trying. We have had some success. It is better than it used to be.

(2) I am sure that we can still make progress, either by doing the present things in a better way or by doing some new things that we haven't thought of yet.

(3) I don't believe we or any other industry in a free market society will ever have 100% stability of employment.

I believe there are three things which have the greatest effect in preventing stability of employment.

One of them—and the smallest —is strikes by labor unions. In these days of interrelated industries the strike is a weapon which sets off a chain reaction and injures people whom the strikers

never see and have no desire to harm. A major strike in mining, in shipping, in steel, in oil, or any of the other basic industries; or a major strike in the plants of a component manufacturing company, creates unemployment thousands of miles away.

I am not arguing against the right to strike. But I am trying to point out that under modern conditions a strike is like firing a shotgun into a crowded mass of people because you are mad at Joe, who happens to be standing in the first row. When anyone considers the general problem of stability of employment, the strike is a fact that cannot be ignored.

The second factor that works against stability of employment—in the sense that stability means making no changes—is technological development and progress. I am sure I do not need to argue that point nor to explain it. And I am sure everyone in this room, or in this country, will agree that if a certain instability is the price of progress, we have to pay that price. We don't have perfect stability today. We didn't have it 100 years ago, either. But the progress we have made in that 100 years has brought us more of practically anything else you can care to name and, I believe, more stability as well.

The third and the largest factor that makes perfect stability impossible is the market itself. So long as the market is free; so long as any man can spend his money on the goods of his choice; or elect to keep his money in his pocket, we will have instability.

And one of the things which the Communist and Fascist societies of the last 30 years certainly should have taught all of us is that when the market ceases to be free, everything and everyone else soon ceases to be free also.

I haven't got an answer to the problem of stabilized employment. I don't believe anyone else either has or will have such an answer. We cannot achieve complete stability. But we can and we will work towards stability as a goal. I hope to see more progress in my business and I am sure you all will see it in yours. For, as I said at the beginning, this is one problem where we all see eye to eye, one situation where everybody's goal is the same.

T. G. Patterson With Preston, Moss & Co.

BOSTON, Mass. — Preston, Moss & Co., 24 Federal Street, announces the appointment of Theodore G. Patterson as investment consultant. For the past three years Mr. Patterson served as Vice-President and Investment Consultant for Fidelity Fund of Boston. From 1929 to 1950 he was associated with Loomis, Sayles & Company.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Aircasters, Inc.
Jan. 21 (letter of notification) 120,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To construct or acquire broadcast stations. **Business**—Sale of programs and announcements to advertisers. **Office**—157 Broad St., Red Bank, N. J. **Underwriter**—J. Gilbert Currie & Co., Red Bank, N. J.

American Diamond Mining Corp.
Dec. 8 (letter of notification) 260,000 shares of common stock (par $1). **Price**—$1.15 per share. **Proceeds**—To explore and develop the Murfreesboro, Pike County, Ark., property and for general corporate purposes. **Office**—99 Wall St., New York 5, N. Y. **Underwriter**—Samuel W. Gordon & Co., Inc., New York, N. Y.

Armstrong Rubber Co.
Nov. 27 (letter of notification) 1,000 shares of class A common stock (no par). **Price**—$21 per share. **Proceeds**—To James A. Walsh, the selling stockholder. **Underwriter**—Gruntal & Co., New Haven, Conn.

★ Axe-Houghton Fund B, Inc., New York
Jan. 25 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Aztec Oil & Gas Co., Dallas, Tex.
Dec. 14 filed 2,017,801 shares of common stock (par $1) being offered for subscription by common stockholders of Southern Union Gas Co. of record Dec. 28, 1953 on the basis of one share of Aztec for each Southern Union common share held; rights to expire on Feb. 8. **Price**—$3.83 per share. **Proceeds**—To acquire equipment and property, for drilling wells and for working capital. **Underwriter**—None.

Bank Shares, Inc., Minneapolis, Minn.
Jan. 4 (letter of notification) 15,000 shares of class A stock. **Price**—At par ($20 per share). **Proceeds**—To acquire shares of capital stock of The Marquette National Bank and the Chicago-Lake State Bank. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Basin Natural Gas Corp., Santa Fe, N. M.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office** — Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York.

Black Hills Power & Light Co., Rapid City, S. D.
Jan. 12 (letter of notification) 14,100 shares of common stock (par $1) to be offered for subscription by common stockholders through warrants which expire on Feb. 15. **Proceeds**—For new construction and improvements. **Underwriter**—None.

• Blaske Lines, Inc., Alton, Ill.
Jan. 7 (letter of notification) 65,990 shares of common stock (par $2), to be first offered for subscription by stockholders of record Jan. 22; then to public. **Price**—$2.62½ per share. **Proceeds** — For down payment on purchase of six new barges. **Office**—210 William St., Alton, Ill. **Underwriter** — G. H. Walker & Co., St. Louis, Mo.

Budget Plan Corp., Haddonfield, N. J. (2/1)
Jan. 13 (letter of notification) 20,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—To establish additional offices and for working capital. **Office** — 101 Kings Highway East, Haddonfield, N. J. **Underwriter** — Rambo, Close & Kerner, Inc., Philadelphia, Pa.

• Buzzards Bay Gas Co., Hyannis, Mass.
Jan. 13 (letter of notification) 4,000 shares of 6% cumulative preferred stock being offered to preferred stockholders of record Dec. 16 on a 1-for-4 basis; rights to expire Feb. 16. **Price**—At par ($25 per share) and accured dividends. **Proceeds**—To repay bank loan. **Underwriter**—Coffin & Burr, Inc., Boston, Mass.

California Water & Telephone Co. (2/2)
Jan. 14 filed 120,000 shares of $1.32 cumulative convertible preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

★ Carling Brewing Co., Inc., Cleveland, Ohio
Jan. 18 (letter of notification) 3,750.4 shares of capital stock (par $15) to be offered to stockholders; with rights to expire on Feb. 26. **Price**—$40 per share. **Proceeds**—To retire current indebtedness. **Office**—9400 Quincy Ave., Cleveland, Ohio. **Underwriter**—None.

★ Central Wyoming Oil & Uranium Corp. (2/3)
Jan. 20 (letter of notification) 599,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds** — For exploration expenses and working capital. **Office**—79 Wall St., New York. **Underwriter** — Eaton & Co., Inc., New York.

Cherokee Industries, Inc., Oklahoma City, Okla.
Dec. 3 filed 5,000,000 shares of class B non-voting common stock (par one cent). **Price**—$1 per share. **Proceeds**—To construct mill. **Underwriter**—None.

Clayton Mines, Inc., Orlando, Fla.
Jan. 11 (letter of notification) 299,000 shares of class B common stock. **Price**—At par ($1 per share). **Proceeds**—For equipment, working capital and general corporate purposes. **Office**—1800 Atlanta Avenue, Orlando, Fla. **Underwriter**—First Florida Investors Inc., 19 S. Court Street, Orlando, Fla.

CorpAmerica, Inc., Wilmington, Del.
Dec. 29 (letter of notification) 20,000 shares of class A non-voting common stock (par $10), of which 7,819 shares are being offered to class A stockholders of record Jan. 8 on basis of seven new shares for each 10 shares held; rights to expire Feb. 3. The unsold balance, plus 12,181 shares are offered to public. **Price**—To stockholders, $14 per share; to public, $15 per share. **Proceeds**—For working capital. **Office**—1901 W. Fourth Street, Wilmington, Del. **Underwriter**—Laird, Bissell & Meeds, Wilmington, Del.

• Danielson Manufacturing Co.
Dec. 24 (letter of notification) 10,704 shares of class A preferred stock (par $5) being offered for subscription by stockholders of record Jan. 15; rights to expire on Feb. 15. **Price**—$9.50 per share to stockholders and $12 per share to public. **Proceeds**—For working capital. **Underwriter**—Coburn & Middlebrook Inc., Hartford, Conn.

Decca Records, Inc.
Dec. 22 filed 145,842 shares of capital stock (par 50 cents) being issued only in exchange for shares of Universal Pictures Co., Inc. common stock (par $1) on the basis of

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NEW ISSUE CALENDAR

January 28 (Thursday)
Southern Pacific Co. ____ Equip. Trust Ctfs.
(Bids noon EST) $9,660,000

February 1 (Monday)
Budget Plan Corp. ____ Class A Common
(Rambo, Close & Kerner, Inc.) $100,000

February 2 (Tuesday)
California Water & Telephone Co. ____ Preferred
(Blyth & Co., Inc.) $4,000,000
Mississippi Power & Light Co. ____ Preferred
(Bids noon EST) $6,000,000
N. Y., Chicago & St. Louis RR. ____ Equip. Tr. Ctfs.
(Bids noon EST) $2,970,000
Southwestern Public Service Co. ____ Common
(Offering to stockholders—underwritten by Dillon, Read & Co. Inc.) 272,500 shares

February 3 (Wednesday)
Central Wyoming Oil & Uranium Corp. ____ Common
(Eaton & Co., Inc.) $299,500
Pennsylvania RR. ____ Equip. Trust Ctfs.
(Bids noon EST) $5,300,000
Puerto Rico (Commonwealth of) ____ Bonds
(Bids 11 a.m. EST) $10,000,000

February 4 (Thursday)
Three States Uranium Corp. ____ Common
(Tellier & Co.) $300,000

February 5 (Friday)
Missouri Public Service Co. ____ Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 527,865 shares
Tobin Packing Co., Inc. ____ Common
(First Albany Corp.) $99,875

February 8 (Monday)
Gulf Sulphur Corp. ____ Preferred
(Peter Morgan & Co.) $7,000,000
Louisville & Nashville RR. ____ Equip. Trust Ctfs.
(Bids noon EST) $1,995,000
Public Service Co. of Oklahoma ____ Bonds
(Bids to be invited) $12,500,000
Southwestern States Telephone Co. ____ Common
(Central Republic Co. Inc.) 100,000 shares

February 9 (Tuesday)
Louisville Gas & Electric Co. ____ Bonds
(Bids 10:30 a.m. CST) $12,000,000

February 10 (Wednesday)
Chicago & North Western Ry. ____ Equip. Trust Ctfs.
(Bids noon CST) $6,495,000
Mystic Valley Gas Co. ____ Bonds
(Bids noon EST) $5,500,000
Wagner Electric Corp. ____ Common
(G. H. Walker & Co.) 150,000 shares

February 16 (Tuesday)
Pacific Gas & Electric Co. ____ Bonds
(Bids to be invited) $60,000,000

February 17 (Wednesday)
Essex County Electric Co. ____ Bonds
(Bids noon EST) $5,000,000
General Instrument Corp. ____ Common
(Paine, Webber, Jackson & Curtis and Hirsch & Co.) 200,000 shares

February 24 (Wednesday)
Atlantic City Electric Co. ____ Common
(Offering to stockholders—may be underwritten by Union Securities Corp. and Smith, Barney & Co.) 151,672 shares

February 25 (Thursday)
Pittsburgh & West Virginia Ry. ____ Bonds
(Bids to be invited) $7,500,000

March 1 (Monday)
Houston Lighting & Power Co. ____ Bonds
(Bids 11:30 a.m. EST) $30,000,000
Southern Natural Gas Co. ____ Bonds
(Bids 11 a.m. EST) $20,000,000

March 3 (Wednesday)
Suburban Electric Co. ____ Bonds
(Bids to be invited) $4,000,000

March 16 (Tuesday)
Alabama Power Co. ____ Bonds
(Bids to be invited) $17,000,000
National Union Fire Insurance Co. ____ Common
(The First Boston Corp.) $6,000,000

March 23 (Tuesday)
Utah Power & Light Co. ____ Common
(Bids 11 a.m. EST) 200,000 shares

March 30 (Tuesday)
San Diego Gas & Electric Co. ____ Bonds
(Bids to be invited) $17,000,000

April 6 (Tuesday)
Georgia Power Co. ____ Bonds
(Bids to be invited) $11,000,000

May 14 (Friday)
First Nat'l Bank of Toms River, N. J. ____ Common
(Offering to stockholders) $150,000

May 19 (Wednesday)
Utah Power & Light Co. ____ Bonds
(Bids noon EST) $15,000,000

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two Decca shares for each Universal share. The exchange offer will expire on Feb. 8, subject to the right of the directors to extend the offer to not later than Feb. 23.

★ Delhi Oil Corp., Dallas, Tex.
Jan. 22 filed 1,031,753 shares of common stock (par $1) to be offered for subscription by stockholders on the basis of two new shares for each five shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To pay approximately $8,500,000 indebtedness maturing with the current fiscal year, and the remainder used for general corporate purposes and working capital. **Underwriter**—None.

Detroit Edison Co.
Dec. 10 filed $43,358,000 3¼% convertible debentures due Feb. 1, 1969 being offered for subscription by stockholders of record Jan. 6, 1954, on the basis of $100 of debentures for each 25 shares of stock held; rights to expire on Feb. 1, 1954. **Price**—At par (flat). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—None.

Essex County Electric Co., Salem, Mass. (2/17)
Jan. 18 filed $5,000,000 of first mortgage bonds, series A, due Feb. 1, 1984. **Proceeds**—To repay short-term indebtedness and balance, if any, for construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Expected to be received up to noon (EST) on or about Feb. 17, 1954.

★ Estey Organ Corp., Brattleboro, Vt.
Jan. 21 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For acquisition of property and equipment and for working capital. **Office**—48 Birge St., Brattleboro, Vt. **Underwriter**—Barrett Herrick & Co., Inc., New York.

★ Eureka Silver King Mines Corp., Boise, Ida.
Jan. 15 (letter of notification) 200,000 shares of common stock. **Price**—30 cents per share. **Proceeds**—To develop mining properties. **Office**—532 First National Bank Bldg., Boise, Idaho. **Underwriter**—None.

★ Fanner Manufacturing Co., Cleveland, Ohio
Jan. 22 (letter of notification) 19,894 shares of common stock (par $1) to be offered in exchange for 2,026 shares of common stock (par $100) of Philadelphia Hardware & Malleable Iron Works.

Federal Pipe & Foundry Co. (N. J.)
Nov. 16 (letter of notification) 39,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For purchase of land and machinery, to erect buildings and for working capital. **Underwriter**—A. Kalb & Co., 325 Market St., Trenton, N. J.

Fire Association of Philadelphia (Pa.)
Dec. 11 filed 340,000 shares of capital stock (par $10) being offered for subscription by stockholders of record Jan. 18 on the basis of one new share for each share held; rights to expire on Feb. 17. **Price**—$22.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None, but The First Boston Corp., New York, will act as advisors to the company.

● Florida Telephone Corp., Ocala, Fla.
Dec. 30 (letter of notification) 24,975 shares of common stock (par $10) being offered first for subscription by common stockholders of record Jan. 14 on a 1-for-8 basis; rights to expire on Feb. 6. **Price**—$10.75 per share to stockholders and $12 per share to public. **Proceeds**—for new construction, etc. **Underwriter**—None.

Florida Western Oil Co.
Nov. 6 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For drilling test well. **Office**—803 N. Calhoun St., Tallahassee, Fla. **Underwriter** — Floyd D. Cerf, Jr., Co., Inc., Miami, Fla.

★ General Alloys Co., Boston, Mass.
Jan. 19 (letter of notification) 50,000 shares of common stock (no par), of which 30,050 shares are to be offered to certain officers under options and the remaining 19,950 shares to be offered to certain employees. **Price**—$1.25 per share. **Proceeds**—For additional office and manufacturing space and new machinery. **Underwriter**—Wm. S. Prescott & Co., Boston, Mass.

★ General Instrument Corp. (2/17)
Jan. 27 filed 200,000 shares of common stock (par $1). **Price**—To be related to the then current market price of the stock on the New York Stock Exchange. **Proceeds**—For plant additions, research and possible acquisition of other manufacturing companies. **Underwriters** — Paine, Webber, Jackson & Curtis, Boston, Mass., and Hirsch & Co., New York.

★ Glenview Metal Products Co.
Jan. 21 (letter of notification) 75,000 shares of 8% cumulative preferred stock (par $3) and 75,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$4 per unit. **Proceeds**—For acquisition of machinery and equipment. **Office**—Rancocas and Ash Roads, Delanco, N. J. **Business**—To manufacture Flyride Helicopter. **Underwriter**—None.

★ Gray Manufacturing Co., Hartford, Conn.
Jan. 21 (letter of notification) 2,100 shares of capital stock (par $5). **Proceeds**—For working capital. **Office**—16 Arbor St., Hartford, Conn. **Underwriters**—None.

● Gulf Sulphur Corp. (2/8)
Oct. 27 filed 700,000 shares of 60-cent non-cumulative convertible preferred and participating stock (par 10 cents. **Price**—$10 per share. **Proceeds**—To develop company concessions. **Underwriter**—Peter Morgan & Co., New York.

Harris-Seybold Co., Cleveland, Ohio
Dec. 30 filed 49,605 shares of common stock (par $1) being offered for subscription by common stockholders of record Jan. 19, 1954, on the basis of one new share for each seven shares held; rights to expire on Feb. 1, 1954. **Price** — $31 per share. **Proceeds** — To reimburse company's treasury for its investment in C. B. Cottrell & Sons Co., and for general corporate purposes. **Underwriter**—McDonald & Co., Cleveland, O.

★ Investors Stock Fund, Inc., Minneapolis, Minn.
Jan. 25 filed 1,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ Keystone Custodian Fund, Inc., Boston, Mass.
Jan. 25 filed 25,000 shares, series B-1; 25,000 shares, series B-2; 1,000,000 shares, series K-2; 1,000,000 shares, series S-1; 1,000,000 shares, series S-2; and 50,000 shares, series S-3. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ Lisbon Uranium Corp., Salt Lake City, Utah
Jan. 20 (letter of notification) 1,292,000 shares of capital stock (par 15 cents), of which 1,079,000 shares are to be offered to the public and 125,000 shares are to be reserved for option to Moab Drilling Co. at 20 cents per share, and 88,000 shares are to be reserved for option to underwriter at 25 cents per share. **Proceeds**—For general expenses incident to mining operations. **Office**—801 Continental Bank Bldg., Salt Lake City, Utah. **Underwriter**—A. P. Kibbe & Co., Salt Lake City, Utah.

★ Loomis-Sayles Mutual Fund, Inc., Boston, Mass.
Jan. 22 filed 100,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

● Louisville (Ky.) Gas & Electric Co. (2/9)
Jan. 15 filed $12,000,000 first mortgage bonds, due Feb. 1, 1984. **Proceeds**—For property additions and improvements. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; Kuhn, Loeb & Co.; The First Boston Corp.; Harriman Ripley & Co., Inc. **Bids**—Expected to be received up to 10:30 a.m. (CST) on Feb. 9.

★ M. A. C. Credit Co., Inc., Miami, Fla.
Jan. 18 (letter of notification) $250,000 of 8% debentures and 416 shares of common stock (no par). **Price**—For debentures, at par (in units of $500 each); and for stock, $120 per share. **Proceeds**—For working capital. **Office**—1011 Langford Bldg., Miami, Fla. **Underwriter**—None.

★ Massachusetts Investors Trust, Boston, Mass.
Jan. 25 filed 1,907,712 shares of beneficial interest in the Trust. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ McBride Oil & Gas Corp., San Antonio, Tex.
Jan. 26 filed 2,000,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** To repay notes, for exploration and drilling expenses and additions to properties, and for working capital. **Underwriter**—Continental Securities Corp.

Medina Oil Corp., Orlean, N. Y.
Dec. 9 (letter of notification) 2,800 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To purchase drill rig, etc. **Office** — 10 East Corydon St., Bradford, Pa. **Underwriter** — Winner & Myers, Lock Haven, Pa.

● Merritt-Chapman & Scott Corp., New York
Dec. 31 filed 513,594 shares of common stock (par $12.50) being offered in exchange for 1,078,546.25 shares of authorized and issued common stock (par $1) of Newport Steel Corp. at rate of one share of Merritt-Chapman stock for each 2.1 shares of Newport stock. Offer will expire on Feb. 26. **Underwriter**—None.

● Mississippi Chemical Corp., Yazoo City, Miss.
Jan. 5 filed 26,666 shares of special common stock (par $75—limited dividend) and $1,500,000 of certificates of participation (to be sold in multiples of $75—5% interest). **Proceeds**—From sale of these securities, together with bank borrowings, are to be used for expansion of facilities. **Underwriter**—None. Sales will be handled by company employees. **Offering**—Expected during March.

Mississippi Power & Light Co. (2/2)
Jan. 7 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For additions and improvements. **Underwriters**—To be determined by competitive bidding. Probable bidders: Union Securities Corp.; Lehman Brothers; W. C. Langley & Co. and The First Boston Corp. (jointly); Blyth & Co., Inc., Equitable Securities Corp., Shields & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly). **Bids**—To be received up to noon (EST) on Feb. 2.

● Missouri Public Service Co. (2/5)
Jan. 14 filed 527,865 shares of common stock (no par) to be offered for subscription by common stockholders of record Feb. 5 on a share-for-share basis (with a 13-day standby). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to acquire capital stock of Gas Service Co. (a subsidiary of Cities Service Co.). **Underwriter**—Kidder, Peabody & Co., New York.

★ Monarch Lumber Co., Minneapolis, Minn.
Jan. 18 (letter of notification) $25,000 of 6% debentures to be offered to yard managers as provided for under the company's profit-sharing contracts and to a few employees. **Proceeds**—For working capital. **Office**—900 First National Bldg., Minneapolis, Minn. **Underwriter**—None.

Mystic Valley Gas Co. (2/10)
Jan. 12 filed $5,500,000 first mortgage bonds, series A, due 1974. **Proceeds**—To pay an equal amount of outstanding promissory notes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to noon (EST) on or about Feb. 10.

New Bristol Oils, Ltd., Toronto, Ont., Canada
Dec. 18 filed 1,000,000 shares of common stock (par $1). **Price**—To be related to the bid price of the shares on the Toronto Stock Exchange, with a 20% underwriting commission. **Proceeds**—For general corporate purposes. **Underwriter**—To be named by amendment.

New England Gas & Electric Association
Dec. 10 filed 32,126 common shares of beneficial interest (par $8) being offered in exchange for common stock of New Bedford Gas & Edison Light Co. held by minority stockholders on the basis of 4¾ New England shares for each New Bedford share held. The offer will expire on Feb. 23. **Financial Advisor**—The First Boston Corp., New York.

● Northern Indiana Public Service Co.
Jan. 5 filed 315,961 shares of common stock (no par) being offered for subscription by stockholders of record Jan. 8 at rate of one new share for each ten shares then held; rights to expire Feb. 3. **Price**—$26.25 per share. **Proceeds**—For construction program. **Underwriters**—Central Republic Co., Inc., Chicago, Ill., and Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane of New York.

★ Nuclear Research Corp. (Pa.)
Jan. 21 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—To repay bank loan and current trade obligations, to construct laboratory and for working capital. **Office**—2563 Grays Ferry Ave., Philadelphia, Pa. **Underwriter**—Tellier & Co., Jersey City, N. J. **Offering**—Expected late in February.

Ohio Edison Co.
Dec. 10 filed 527,330 shares of common stock (par $12) being offered for subscription by common stockholders of record Jan. 14. 1954 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights will expire on Jan. 29, 1954. **Price** — $35.75 per share. **Proceeds** — For construction program. **Underwriters**—White, Weld & Co., New York.

● Otter Tail Power Co., Fergus Falls, Minn.
Dec. 28 filed $2,500,000 of 4¼% convertible debentures due Jan. 1, 1964 being offered for subscription by common stockholders of record Jan. 22, 1954, on the basis of $100 of debentures for each 25 shares of stock then held rights to expire on Feb. 8. **Price**—100% of principal amount. **Proceeds**—To retire bank loans and for capital expenditures. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Pacific Gas & Electric Co. (2/16)
Jan. 19 filed $60,000,000 first and refunding mortgage bonds, series W, dated Dec. 1, 1953 and due Dec. 1, 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—Expected to be received on Feb. 16.

Perfecting Service Co., Charlotte, N. C.
Dec. 28 (letter of notification) 15,001 shares of common stock being offered Jan. 20 for subscription by present stockholders (with a 15-day standby). **Price**—At par ($10 per share). **Proceeds**—For working capital and general corporate purposes. **Office**—332 Atando Avenue, Charlotte, N. C. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C., for up to a maximum of 8,001 shares.

Philip Morris & Co., Ltd., Inc., New York
Jan. 13 filed 444,325 shares of common stock (par $5) to be offered in exchange for common shares of Benson & Hedges, on a share-for-share basis. Offer is subject to acceptance by holders of not less than 355,460 shares of Benson & Hedges stock, and will expire on March 1, unless extended. **Underwriter**—None.

Public Service Co. of Oklahoma (2/8)
Jan. 18 filed $12,500,000 of first mortgage bonds, series E, due Feb. 1, 1984. **Proceeds**—For additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; Blyth & Co., Inc., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly). **Bids**—Expected on or about Feb. 8.

★ Safeway Trails, Inc., Washington, D. C.
Jan. 21 (letter of notification) $299,000 of 20-year 5% debentures. **Price**—90% of face value. **Proceeds**—To convert building into bus terminal, purchase of new buses and for working capital. **Office**—820 T St., N. E., Washington, D. C. **Underwriter**—None.

★ Santa Fe Western Gas & Oil Corp. (N. M.)
Jan. 22 (letter of notification) 299,925 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To repay note. **Office**—406 Sunshine Bldg., Albuquerque, N. M. **Underwriter** — Gearhart & Otis, Inc., New York. **Offering**—Expected late in February.

Snoose Mining Co., Hailey, Idaho
Oct. 30 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For machinery and equipment. **Underwriter**—E. W. McRoberts & Co., Twin Falls, Idaho.

★ Southern Natural Gas Co. (3/1)
Jan. 25 filed $20,000,000 of first mortgage pipe line sinking fund bonds due 1974. **Proceeds**—To repay bank loans and to reimburse treasury for additions already made to properties. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on March 1 at 90 Broad St., New York, N. Y.

Southwestern Public Service Co. (2/2)
Jan. 12 filed 272,500 shares of common stock (par $1) to be offered for subscription by common stockholders of record Feb. 1 at the rate of one new share for each 14 shares held (with an oversubscription privilege); rights to expire Feb. 16. **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for property additions and improvements. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ Southwestern States Telephone Co. (2/8)
Jan. 21 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To finance, in part, the 1954 construction program. **Underwriter**—Central Republic Co., Inc., Chicago, Ill.

★ Texas Northern Oil Corp., Houston, Tex.
Jan. 15 (letter of notification) 37,500 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—To the underwriter, Weber-Millican Co., New York.

● Three States Uranium Corp. (2/4)
Nov. 13 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share **Proceeds** — For drilling, surveys and working capital **Office**—354 Main St., Grand Junction, Colo. **Underwriter** Tellier & Co., Jersey City, N. J.

★ Tobin Packing Co., Inc. (2/5)
Jan. 21 (letter of notification) 8,500 shares of common stock (par $3). **Price**—$11.75 per share. **Proceeds**—To John J. Krez as trustee under Frederick M. Tobin Trusts. **Underwriter**—First Albany Corp., Albany, N. Y.

United Merchants & Manufacturers, Inc.
Oct. 7 filed 574,321 shares of common stock (par $1). **Price**—At the market (either on the New York Stock Exchange or through secondary distributions). **Proceeds**—To a group of selling stockholders who will receive the said shares in exchange for outstanding preferred and common stock of A. D. Juilliard & Co., Inc., on the basis of 6½ shares of United Merchants stock for each Juilliard common or preferred share. **Underwriter**—None. Statement effective Oct. 26.

★ Voight (Floyd J.), Inc., Madison, Wis.
Jan. 22 (letter of notification) 30,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—2 Craig Ave., Madison, Wis. **Underwriter**—None.

● Wagner Electric Corp., St. Louis, Mo. (2/10)
Jan. 19 filed 150,000 shares of common stock (par $15). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—G. H. Walker & Co., St. Louis and New York.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

Western Casualty & Surety Co.
Dec. 29 filed 150,000 shares of common stock (par $5) being offered for subscription by stockholders of record Jan. 19, 1954, on the basis of one new share for each two shares held; rights to expire on Feb. 1, 1954. Western Insurance Securities Co., the parent, which owns 92% of the presently outstanding common stock, will not subscribe for any stock. **Price**—$23 per share. **Proceeds** — For working capital, etc. **Office** — Fort Scott, Kansas. **Underwriters** — Kidder, Peabody & Co., New York, and Prescott, Wright, Snider Co., Kansas City, Mo.

Wyoming Oil Co., Denver, Colo.
Nov. 3 (letter of notification) 5,000,000 shares of common stock (par five cents). **Price**—5½ cents per share. **Proceeds** — For drilling expenses. **Office** — 301 Kittredge Bldg., Denver, Colo. **Underwriter** — Robert W. Wilson, Denver, Colo.

Wyoming Oil & Exploration Co., Las Vegas, Nev.
Dec. 7 filed 300,000 shares of capital stock (par $1. **Price**—To be supplied by amendment. **Proceeds**—To pay for leases and drilling. **Business**—Oil and gas exploration. **Underwriter**—None.

Prospective Offerings

Alabama Power Co. (3/16)
Dec. 15 it was reported company is planning issuance and sale of $17,000,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); Blyth & Co. Inc. and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.; Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co., Inc. **Registration** — Tentatively scheduled for Feb. 8. **Bids**—Expected to be opened on March 16.

American Louisiana Pipe Line Co.
Nov. 10 company, a subsidiary of American Natural Gas Co., asked Federal Power Commission to authorize construction of a $130,000,000 pipe line, to be financed through the issuance of $97,500,000 of first mortgage bonds, $12,000,000 of interim notes convertible to preferred stock at option of company, and $20,500,000 of common stock (par $100), the latter to be sold to parent.

● Atlantic City Electric Co. (2/24)
Jan. 21 B. L. England, President, announced that the company plans to issue and sell early in 1954 $5,000,000 of new bonds and make an offering to stockholders of 151,672 additional shares of common stock on a 1-for-10 basis. **Proceeds**—For construction program and to repay bank loans. **Underwriter** — For common stock may be Union Securities Corp. and Smith, Barney & Co. Previous bond issue was placed privately. **Bids**—Expected to be received on Feb. 24. **Registration** — Tentatively scheduled for Feb. 1.

Baltimore & Ohio RR.
Nov. 9 it was reported company is planning to issue $60,000,000 of new collateral trust 4% bonds to mature in 1-to-16 years in exchange for a like amount of collateral trust bonds due Jan. 1, 1965 now held by the Reconstruction Finance Corporation. The latter in turn plans to offer the new bonds to a group of investment houses including Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Alex. Brown & Sons; and others. The bankers would then offer the bonds to the public.

Central Illinois Electric & Gas Co.
Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of $4,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Central Maine Power Co.
Oct. 7 it was reported company plans sale during the first quarter of 1954 of $10,000,000 common stock after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Chicago Great Western Ry.
Dec. 3 company sought ICC permission to issue and sell $6,000,000 of collateral trust bonds due Nov. 1, 1978, through a negotiated sale. **Price**—To be announced later. **Proceeds**—To repay bank loans and for capital improvements. **Bids**—Halsey, Stuart & Co. Inc. on Dec. 14 asked ICC to reject company's request and that bonds be first offered at competitive bidding.

● Chicago & North Western Ry. (2/10)
Bids will be received by the company in Room 1400, 400 West Madison St., Chicago 6, Ill. up to noon (CST) on Feb. 10 for the purchase from it of $6,495,000 equipment trust certificates to be dated March 1, 1954 and mature annually March 1, 1955 to 1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder Peabody & Co.; Blair, Rollins & Co. Inc.

Chrysler Corp.
Dec. 23 it was reported that corporation is a prospect for a very substantial emission of debt capital.

★ Columbia Gas System, Inc.
Jan. 18 it was reported company is considering additional financing early this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds — Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. (2) For stock — Merrill Lynch, Pierce, Fenner & Beane, White Weld & Co., Shields & Co. and R. W. Pressprich & Co. (jointly); Lehman Brothers and Union Securities Corp. (jointly); Morgan Stanley & Co.

Community Public Service Co.
Jan. 5, R. L. Bowen, President, announced that company plans to issue and sell in the latter part of March $3,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Previous bond financing was done through private channels. Bidders if competitive, may include: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Blyth & Co., Inc.

Connecticut Light & Power Co.
Dec. 7 it was reported company plans to raise between $10,000,000 and $20,000,000 in 1954 from sale of bonds and stock. **Underwriters**—For common stock: Putnam & Co.; Chas. W. Scranton & Co., and Estabrook & Co. Bonds may be placed privately.

Continental Oil Co.
Dec. 23 it was reported that this company is expected to be in the market for new capital.

Delaware Power & Light Co.
Oct. 5 it was announced company plans to issue and sell in 1954 about $10,000,000 of first mortgage and collateral trust bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Union Securities Corp.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); W. C. Langley & Co.

First National Bank of Toms River, N. J. (5/14)
Jan 12 it was announced bank plans to offer for subscription by its stockholders of record May 1, 1954, an additional 3,000 shares of capital stock (par $10) on the basis of one new share for each 26 shares held; rights to expire on June 16. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

★ Florida Power & Light Co.
Jan. 25 it was reported company may later this year issue and sell about $15,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc.

General Public Utilities Corp.
Dec. 16 it was announced company plans to offer about 600,000 additional shares of common stock (par $5) to stockholders in March or April, 1954 — probably on the basis of one new share for each 15 shares held. **Price**—To be determined just prior to the offering date. **Proceeds**—To be invested in the domestic subsidiaries. **Underwriter**—None, but Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent.

Georgia Power Co. (4/6)
Dec. 15 it was reported company plans issuance and sale of $11,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Salomon Bros. & Hutzler and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers; Morgan Stanley & Co. **Registration**—Planned for March 1. **Bids**—Expected to be received on April 6.

Hempstead Bank, Hempstead, N. Y.
Dec. 18 stockholders approved plan of merger into this company of Bank of Syosset, L. I., N. Y., which will involve the issuance of 12,000 additional shares of Hempstead Bank of $10 par value. Unexchanged shares will be offered publicly. **Price** — $31.25 per share. **Underwriter**—Francis I. duPont & Co., New York.

● Houston Lighting & Power Co. (3/1)
Jan. 18 it was reported company plans to issue and sell $30,000,000 of first mortgage bonds due 1989. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp.; Lehman Brothers; Smith, Barney & Co.; Kidder, Peabody & Co.; Equitable Securities Corp. **Bids**—Expected to be received up to 11:30 a.m. (EST) on March 1. **Registration**—Planned for Feb. 4.

Houston National Bank, Houston, Tex.
Dec. 21 it was announced Bank, following proposed two-for-one stock split-up, plans to offer its stockholders 50,000 additional shares of capital stock on a one-for-two basis. **Price**—At par ($10 per share). **Proceeds**—To increase capital. **Meeting**—Stockholders on Jan. 12 were to vote on changing the authorized capital stock from 50,000 shares (par $20) to 150,000 shares (par $10).

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Idaho Power Co.
Aug. 6, officials of Blyth & Co., Inc. and Bankers Trust Co., New York, testified before the Federal Power Commission that this company plans to raise $184,550,000 to finance construction of three hydro-electric projects on Snake River, Idaho. If approved, the financing will consist of $105,000,000 of bonds through 1962; $27,400,000 of preferred stock; and $52,150,000 of common stock. Throughout the financing period, the company would borrow and repay $29,000,000 of short-term loans. Final financing details would depend on market conditions.

Industrial Trust Co. of Philadelphia
Jan. 13 it was announced company plans to issue and sell 11,223 additional shares of capital stock (par $5) to be offered for subscription by stockholders on the basis of one new share for each 20 shares held. **Price**—$7.50 per share. **Proceeds**—To increase capital and surplus.

Inter-Mountain Telephone Co.
Dec. 23 it was reported company in April, 1954, may offer to its common stockholders some additional common stock. **Underwriter**—Courts & Co., Atlanta, Ga.

Jersey Central Power & Light Co.
Dec. 16 it was reported company tentatively plans to issue and sell in 1954 about $6,000,000 first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Lehman Brothers.

Kansas City Power & Light Co.
Jan. 13 it was announced that company may issue and sell later in 1954 additional first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp.

Laclede Gas Co.
Jan. 28 stockholders will vote on authorizing the issuance of not exceeding $10,000,000 of debentures.

Louisville & Nashville RR. (2/8)
Bids will be received by the company up to noon (EST) on Feb. 8 for the purchase from it of $1,995,000 equipment trust certificates, series M, dated Aug. 15, 1953. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Proceeds** — To help finance a new bottling plant. **Underwriter**—None.

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

• Missouri Public Service Co.
Dec. 28 it was announced company plans to issue and sell $14,000,000 of common stock and borrow $18,000,000 from banks in connection with proposed acquisition of 1,500,000 shares of common stock of Gas Service Co. of Kansas City, Mo., at a total cost of $32,000,000. Following consummation of proposed merger of the two companies, it is planned to sell $9,000,000 of first mortgage bonds, $2,500,000 of debentures and 65,000 shares of preferred stock (par $100). **Proceeds** — To retire bank loans. **Underwriter**—For common stock (now in registration): Kidder, Peabody & Co.

National Union Fire Insurance Co. (3/16)
Jan. 14, W. A. Rattleman, President, announced that company plans to issue to stockholders of record about March 16 the right to subscribe for 200,000 additional shares of capital stock (par $5) onthe basis of one new share for each two shares held. **Price**—Expected to be $30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp., New York.

New Jersey Power & Light Co.
Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about $3,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

★ New York, Chicago & St. Louis RR. (2/2)
Bids will be received by the company up to noon (EST) on Feb. 2 for the purchase from it of $2,970,000 equipment trust certificates to mature in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

North Shore Gas Co. (Mass.)
Dec. 14 it was announced that it has been decided to defer a bond issue by this company for at least several months. It had been reported that the issuance and sale of about $3,000,000 of first mortgage bonds had been planned. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

• Pacific Telephone & Telegraph Co.
July 2 it was announced company plans to issue and sell to its stockholders 1,004,603 additional shares of capital stock on a 1-for-7 basis. **Price**—At par (100 per share. **Proceeds**—To repay bank loans. **Underwriter**—None. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific's outstanding stock. **Offering**—Expected before June 30, 1954.

Pennsylvania Electric Co.
Dec. 16 it was reported that company may issue and sell about $12,500,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Union Securities Corp. and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Kuhn, Loeb & Co., Lehman Brothers, Drexel & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Expected in March or April, 1954.

Pennsylvania RR. (2/3)
Bids will be received up to noon (EST) on Feb. 3 by the company at Philadelphia, Pa., for the purchase from it of $5,265,000 equipment trust certificates, series BB, to mature annually on Feb. 1 from 1955 to 1969 inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Peoples Finance Corp., Denver, Colo.
Jan. 5 it was reported company plans to issue and sell $300,000 of 6% convertible debentures. **Price**—At 100% and accrued interest. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

Pittsburgh & West Virginia Ry. (2/25)
Jan. 6 it was reported company plans to issue and sell $7,500,000 of first mortgage bonds due 1984. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Smith, Barney & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on Feb. 25.

Public Service Co. of Colorado
Oct. 13 it was reported company is planning to float an issue of $15,000,000 first mortgage bonds, due 1984, early in 1954. **Proceeds** — For financing, in part, a $17,000,000 electric generating plant to be constructed in Denver, Colo. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

• Puerto Rico (Commonwealth of) (2/3)
Bids will be received up to 11 a.m. (EST) on Feb. 3 by the Government Development Bank of Puerto Rico for the purchase from it of $10,000,000 public improvment bonds to be dated Jan. 1, 1954 and to mature July 1, 1955 to 1974, inclusive. The National City Bank of New York purchased the last block of bonds marketed in May, 1952.

Riddle Airlines, Inc.
Jan. 7 it was reported company plans to file a letter of notification soon to issue an aggregate value of up to $300,000 of new securities. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

• San Diego Gas & Electric Co. (3/30)
Jan. 26, it was announced company plans to issue and sell $17,000,000 of first mortgage bonds, series E, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co., and Shields & Co. (jointly); Lehman Brothers; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received on March 30.

★ Sheraton Corp. of America
Jan. 21 it was announced company plans to offer to its stockholders the right to subscribe for an issue of $3,300,000 25-year 6% debentures (3% fixed and 3% contingent) with warrants attached. **Proceeds**—To repay loans and for working capital. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass., and Hamlin & Lunt, Buffalo, N. Y. **Meeting**—Stockholders will vote March 3 on approving issue.

★ South Carolina Electric & Gas Co.
Jan. 27 the directors approved, subject to registration with SEC, a proposed offering to stockholders of 286,436 shares of common stock (par $4.50) on the basis of one new share for each 10 shares held (with an oversubscription privilege). **Price**—To be named later. **Proceeds**—To finance in part the company's construction program. **Underwriter**—Kidder, Peabody & Co., New York.

• Southern California Edison Co.
Jan. 19 company applied to California P. U. Commission for exemption from competitive bidding on a contemplated issue of 600,000 shares of common stock. On Dec. 30, W. C. Mullendore, President, announced that it probably will be necessary for the company to obtain approximately $50,000,000 from the sale of additional securities in 1954. Probable bidders for new first and refunding mortgage bonds, series F, may include: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co. Inc. (jointly); Kuhn, Loeb & Co. Last negotiated equity financing was underwritten by The First Boston Corp.

Southern Pacific Co. (1/28)
Bids will be received at Room 2117, 165 Broadway, New York 6, N. Y. up to noon (EST) on Jan. 28 for the purchase from the company of $9,660,000 equipment trust certificates, series MM, to be dated Jan. 1, 1954 and to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Spokane International RR. Co.
Dec. 29, F. C. Rummel, President, announced company is filing an application with the ICC for permission to offer 28,484 additional shares of capital stock (no par) to its stockholders of record Dec. 31, 1953, on the basis of one new share for each six shares owned. **Price**—$15 per share. **Proceeds**—For improvement and modernization program.

Suburban Electric Co. (3/3)
Dec. 14 it was announced company plans to issue and sell $4,000,000 of 30-year first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Tentatively expected to be received on or about March 3.

★ Trans-Canada Pipe Lines, Ltd.
Jan. 11 it was reported this company and Western Pipe Lines, Ltd. will merge preliminary to the financing and construction of a 2,240 mile natural gas pipe line from the Alberta fields to Toronto, Ottawa and Montreal. **Underwriters**—Lehman Brothers; Wood, Gundy & Co. Inc.

★ Trip-Charge, Inc., Pittsburgh, Pa.
Jan. 20 it was announced company is increasing its capital stock in contemplation of an underwriting. **Proceeds**—For expansion program and working capital. **Office**—Fifth Avenue at Hamilton, Pittsburgh 6, Pa. **Meeting**—Stockholders will vote Feb. 23 on doubling present authorized capital stock.

• Utah Power & Light Co. (3/23)
Jan. 18 it was reported company plans to offer publicly 200,000 shares of common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.; Union Securities Corp. and Smith, Barney & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on March 23. **Registration**—Planned for Feb. 16.

• Utah Power & Light Co. (5/19)
Jan. 18 it was reported company plans to offer $15,000,000 of first mortgage bonds due 1984. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler. **Bids**—Tentatively expected to be received up to noon (EST) on May 19.

West Coast Transmission Co.
Oct. 14 it was announced that company now plans to issue $29,000,000 in 1-to-5½-year serial notes; $71,000,000 in 20-year, first mortgage bonds; and $24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 31	§73.8	*74.1	75.7	99.4
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 31	§1,760,000	*1,766,000	1,706,000	2,240,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 19	6,332,550	*6,271,800	6,248,100	6,524,000
Crude runs to stills—daily average (bbls.)	Jan. 16	¶6,968,000	6,960,000	6,918,000	7,081,000
Gasoline output (bbls.)	Jan. 16	24,163,000	27,620,000	24,084,000	24,037,000
Kerosene output (bbls.)	Jan. 16	2,836,000	2,872,000	2,521,000	2,791,000
Distillate fuel oil output (bbls.)	Jan. 16	10,323,000	10,382,000	10,220,000	10,903,000
Residual fuel oil output (bbls.)	Jan. 16	8,923,000	8,599,000	8,281,000	9,023,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 16	165,551,000	162,343,000	153,586,000	143,492,000
Kerosene (bbls.) at	Jan. 16	25,873,000	28,588,000	32,389,000	24,932,000
Distillate fuel oil (bbls.) at	Jan. 16	99,675,000	106,628,000	123,444,000	88,773,000
Residual fuel oil (bbls.) at	Jan. 16	49,066,000	49,668,000	49,975,000	47,745,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 16	619,871	624,229	618,432	705,017
Revenue freight received from connections (no. of cars)	Jan. 16	582,053	544,544	586,824	649,694
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 21	$173,545,000	$195,848,000	$226,520,000	$229,078,000
Private construction	Jan. 21	103,189,000	89,675,000	64,191,000	122,994,000
Public construction	Jan. 21	70,356,000	106,173,000	162,329,000	106,084,000
State and municipal	Jan. 21	51,844,000	84,366,000	125,313,000	77,809,000
Federal	Jan. 21	18,512,000	21,807,000	37,016,000	28,275,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 16	8,180,000	*8,190,000	8,300,000	9,560,000
Pennsylvania anthracite (tons)	Jan. 16	685,000	534,000	516,000	703,000
Beehive coke (tons)	Jan. 16	Not avail.	Not avail.	61,500	4,261,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 16	85	*94	34	92
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 23	8,976,008	§§9,013,905	8,173,745	8,144,074
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 21	208	200	162	173
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 19	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Jan. 19	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Jan. 19	$28.50	$28.83	$30.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 20	29.625c	29.700c	29.675c	24.200c
Export refinery at	Jan. 20	28.800c	28.900c	29.425c	35.075c
Straits tin (New York) at	Jan. 20	85.500c	84.500c	85.250c	121.500c
Lead (New York) at	Jan. 20	13.000c	13.500c	13.500c	14.000c
Lead (St. Louis) at	Jan. 20	12.800c	13.300c	13.000c	13.800c
Zinc (East St. Louis) at	Jan. 20	9.500c	10.000c	10.000c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 26	98.46	97.62	96.09	95.87
Average corporate	Jan. 26	107.44	106.92	106.04	108.70
Aaa	Jan. 26	112.37	112.00	110.88	112.19
Aa	Jan. 26	109.60	109.06	107.98	110.88
A	Jan. 26	107.27	106.74	105.86	108.16
Baa	Jan. 26	100.98	100.65	100.32	103.80
Railroad Group	Jan. 26	105.17	104.66	103.97	106.21
Public Utilities Group	Jan. 26	107.80	107.44	106.56	108.52
Industrials Group	Jan. 26	109.42	108.88	107.98	111.25
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 26	2.61	2.67	2.78	2.79
Average corporate	Jan. 26	3.31	3.34	3.39	3.24
Aaa	Jan. 26	3.04	3.06	3.12	3.05
Aa	Jan. 26	3.19	3.22	3.28	3.12
A	Jan. 26	3.32	3.35	3.40	3.27
Baa	Jan. 26	3.69	3.71	3.74	3.52
Railroad Group	Jan. 26	3.44	3.47	3.51	3.38
Public Utilities Group	Jan. 26	3.29	3.31	3.36	3.25
Industrials Group	Jan. 26	3.20	3.23	3.28	3.10
MOODY'S COMMODITY INDEX	Jan. 26	419.0	417.8	415.8	404.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 16	223.396	†230,479	212,033	239,772
Production (tons)	Jan. 16	243,315	†212,013	241,648	244,187
Percentage of activity	Jan. 16	91	†78	93	95
Unfilled orders (tons) at end of period	Jan. 16	390,294	†414,047	371,487	500,300
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 22	107.83	*107.53	106.92	108.62
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Jan. 9	30,392	25,360	24,184	36,946
Number of shares	Jan. 9	863,821	752,352	720,666	1,074,494
Dollar value	Jan. 9	$38,131,438	$29,001,891	$32,173,637	$46,713,904
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 9	24,156	27,941	26,697	32,700
Customers' short sales	Jan. 9	234	244	137	147
Customers' other sales	Jan. 9	23,922	27,697	26,560	32,553
Number of shares—Total sales	Jan. 9	668,498	869,608	781,875	905,070
Customers' short sales	Jan. 9	8,092	6,368	4,982	4,906
Customers' other sales	Jan. 9	660,406	863,240	776,893	900,164
Dollar value	Jan. 9	$27,318,721	$27,244,610	$30,113,115	$37,682,687
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 9	208,270	330,230	268,370	285,170
Short sales	Jan. 9	------	------	------	------
Other sales	Jan. 9	208,270	330,230	268,370	285,170
Round-lot purchases by dealers—					
Number of shares	Jan. 9	344,460	201,400	223,610	411,750
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Jan. 2	183,790	171,520	334,630	158,240
Other sales	Jan. 2	8,397,870	6,419,510	8,551,500	7,516,380
Total sales	Jan. 2	8,581,660	6,591,030	8,886,130	7,674,620
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 2	742,990	614,700	896,470	780,320
Short sales	Jan. 2	95,580	87,620	147,950	101,100
Other sales	Jan. 2	583,430	458,860	759,360	665,170
Total sales	Jan. 2	679,010	546,480	907,310	766,270
Other transactions initiated on the floor—					
Total purchases	Jan. 2	187,410	156,400	281,040	163,600
Short sales	Jan. 2	5,500	2,500	15,700	5,600
Other sales	Jan. 2	143,610	131,870	261,970	173,700
Total sales	Jan. 2	149,110	134,370	277,670	179,300
Other transactions initiated off the floor—					
Total purchases	Jan. 2	341,700	337,730	338,750	386,211
Short sales	Jan. 2	23,300	26,040	62,300	17,880
Other sales	Jan. 2	223,297	215,811	319,195	222,475
Total sales	Jan. 2	246,597	241,851	381,495	240,355
Total round-lot transactions for account of members—					
Total purchases	Jan. 2	1,272,100	1,108,830	1,516,260	1,330,131
Short sales	Jan. 2	124,380	116,160	225,950	124,580
Other sales	Jan. 2	950,337	806,541	1,340,525	1,061,345
Total sales	Jan. 2	1,074,717	922,701	1,566,475	1,185,925
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 19	110.9	110.9	110.1	109.8
Farm products	Jan. 19	98.4	98.5	95.4	100.1
Processed foods	Jan. 19	106.0	106.1	104.4	103.9
Meats	Jan. 19	95.8	95.4	87.0	97.9
All commodities other than farm and foods	Jan. 19	114.5	114.5	114.4	112.8

*Revised figure. ¶Includes 694,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons. §§Record high figure. †Nine days ended Jan. 9.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of November (in thousands)	$141,115,000	$149,738,000	$127,647,000
BANKER'S DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Dec. 31:			
Imports	$273,830,000	$245,812,000	$232,145,000
Exports	154,308,000	139,188,000	124,564,000
Domestic shipments	10,225,000	11,912,000	8,112,000
Domestic warehouse credits	64,437,000	47,417,000	56,269,000
Dollar exchange	28,770,000	49,032,000	38,743,000
Based on goods stored and shipped between foreign countries	42,509,000	40,739,000	32,016,000
Total	$574,079,000	$534,100,000	$491,849,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S.—U. S. DEPT. OF LABOR—Month of Oct.: (000's omitted):			
All building construction	$780,047	$801,062	$822,827
New residential	393,646	422,401	470,098
New nonresidential	278,133	260,908	247,189
Additions, alterations, etc.	108,269	117,753	105,539
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of December:			
Manufacturing number	193	175	131
Wholesale number	85	88	45
Retail number	382	389	288
Construction number	89	97	76
Commercial service number	64	66	43
Total number	813	815	583
Manufacturing liabilities	$23,731,000	$13,568,000	$8,458,000
Wholesale liabilities	4,241,000	4,836,000	1,875,000
Retail liabilities	9,757,000	11,083,000	7,046,000
Construction liabilities	4,154,000	4,621,000	5,068,000
Commercial service liabilities	1,871,000	2,687,000	953,000
Total liabilities	$43,754,000	$36,795,000	$23,400,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of November (millions of dollars):			
Manufacturing	$46,721	*$47,044	*$43,885
Wholesale	11,964	*12,041	*11,362
Retail	22,439	*22,720	*21,540
Total	$81,124	*$81,805	*$76,787
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of October:			
All manufacturing (production workers)	13,624,000	*13,820,000	13,560,000
Durable goods	7,930,000	*8,000,000	7,774,000
Nondurable goods	5,694,000	5,820,000	5,786,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	110.1	*111.7	109.6
Payroll Indexes (1947-49 Average = 100)—			
All manufacturing	149.2	*149.9	145.7
Estimated number of employees in manufacturing industries—			
All manufacturing	17,008,000	*17,208,000	16,778,000
Durable goods	9,865,000	*9,939,000	9,594,000
Nondurable goods	7,143,000	*7,269,000	7,184,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of December:			
Weekly earnings—			
All manufacturing	$71.78	*$71.60	$72.14
Durable goods	77.11	76.73	77.78
Nondurable goods	64.29	*63.73	63.59
Hours—			
All manufacturing	40.1	*40.0	41.7
Durable goods	40.8	40.6	42.5
Nondurable goods	39.2	*39.1	40.5
Hourly earnings—			
All manufacturing	$1.79	*$1.79	$1.73
Durable goods	1.89	1.89	1.83
Nondurable goods	1.64	1.63	1.53
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of November (millions of dollars):			
Inventories—			
Durables	$26,812	*$26,983	*$24,002
Nondurables	19,909	*20,057	*19,883
Total	$46,721	*$47,044	*$43,885
Sales	24,559	*24,990	24,271
MONEY IN CIRCULATION—TREASURY DEPT.—As of Nov. 30 (000's omitted)	$30,798,000	$30,398,000	$30,236,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of November (in billions):			
Total personal income	$285.4	*$287.2	$277.2
Wage and salary receipts, total	197.7	*199.3	191.4
Total employer disbursements	196.9	*195.6	187.8
Commodity producing industries	87.3	*88.7	85.6
Distributing industries	52.6	*52.7	50.0
Service industries	24.1	*24.2	22.5
Government	33.7	*33.7	33.3
Less employee contributions for social insurance	4.0	4.0	3.8
Other labor income	5.1	5.1	5.1
Proprietors and rental income	50.0	*49.5	50.0
Personal interest income and dividends	22.8	22.8	21.4
Total transfer payments	13.8	*14.5	13.1
Total nonagricultural income	268.6	*270.5	259.1
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of October:			
Net railway operating income	$107,331,350	$99,941,786	$120,997,874
Other income	21,296,242	21,017,639	16,942,002
Total income	128,627,592	120,959,425	137,939,876
Miscellaneous deductions from income	4,168,715	3,892,944	3,964,110
Income available for fixed charges	124,458,877	117,066,481	133,975,766
Income after fixed charges	90,617,234	83,360,616	100,367,389
Other deductions	2,938,671	2,867,238	3,047,952
Net income	87,678,563	80,493,378	97,319,437
Depreciation (way & structure & equipment)	42,682,178	42,493,759	41,406,159
Federal income taxes	57,178,847	56,400,565	84,211,928
Dividend appropriations:			
On common stock	23,188,644	17,410,173	20,248,721
On preferred stock	6,723,082	2,983,279	5,462,222
Ratio of income to fixed charges	3.68	3.47	3.99
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of December:			
Net sales	------	$1,052,000	------
Net purchases	$615,500	------	$11,696,750

Continued from page 3

Salesmen—Key to Nation's Business Health!

I am going to take the position that the answer to this question *can be* an emphatic *yes!* It can be yes if businessmen will keep their eyes on the underlying growth trends in the economy—if they will work to create increasingly attractive goods and services and sell them aggressively and confidently—and if their government maintains a sound and realistic attitude toward the needs of our growing economy.

Now in discussing the first of these three "ifs," let's put first things first and talk about the most important recent event—or series of events — affecting the growth of the economy. In the 12 months just past, close to four million babies were born in the United States. This is a new record—the biggest year in a series of very big years — and it has great importance for the future.

It means that this country is assured of continuous growth for a long time ahead. We can now look back with amusement on the theory, widely accepted 20 years ago, that the American population was about to level off and become static, with births just equal to deaths. Certainly no one is warning us today about the dangers of race suicide.

Our birth rate is now among the highest in the world, and together with our advances in medical care, it has resulted in a remarkable increase in our population. Since 1940 our population has shown a net growth of nearly 28 million—as compared, for instance, with a net growth of only 18 million in Russia, a much bigger country. The striking fact for the future is that in a relatively few years — in the 1960's — the many millions born during World War II will start getting married and having children. Then we can look for annual birth totals that will make the recent records look very modest indeed.

Our population is now 161 million. By 1960 it is expected to be 178 million; and by 1975, 206 million. This will mean that in the 35 years between 1940 and 1975 our population will have increased by more than 70 million! This gain alone is numerically greater than the *entire population* of the United States in the Nineties, when the first automobiles were appearing on our streets.

Increasing Population—a Priceless Resource

In a country like ours, with an immense and growing productive potential, a rapidly increasing population is a priceless resource. It means that our needs—and our markets — and the hands and minds to do the nation's work—are going to go on increasing year after year, decade after decade. Of course there will ups and downs, but I am taking the long view.

Think of what an addition of 70 million people in one generation means to the American market in terms of homes to be built and equipped for Twentieth Century living — automobiles to be produced and roads built for them to run on, and places provided for them to park — and schools and churches and hospitals and playgrounds to be created for the benefit of the minds, bodies and spirits of all these people.

The main force, the prime mover of the American market is the appetite of the people for a high and rising standard of living. As we go about the business of producing, selling and serving, some points for all of us to remember are these: (1) that people have over $200 billion in savings; (2) that the last thing an American family will do is cut back its standard of living; (3) that while people here live better than people anywhere else in the world, few people in this country are living as well as they would like to live; nearly all of them have a desire to live better.

All of us have done our share of pointing with pride to the standard of living in the United States. And we have good reason to be proud of the kind of life the people of this country have created for themselves. Yet I wonder sometimes if we wouldn't do better to talk more about the distance we still have to go, the things we still have to do, the needs we still have to fill—and talk less about the wonders of production and distribution that have been accomplished in the past.

Consider, for instance, our needs in the field of automotive transportation. Measured against any standard but our own, our achievements in this field look miraculous. But we still have a long way to go to satisfy the desires of the American people for the kind of personal transportation they want.

A few weeks ago the annual count of automobiles in use was released by R. L. Polk and Company. This report, the most accurate available to the industry, shows that as of last July there were still over 11 million prewar passenger cars on the road—out of a total of slightly oveh 42 million cars in use. In one way it is a tribute to the automobile industry that so many ancient automobiles are still of some practical value to their owners. But how many of those owners are content with their cars? And for that matter, how many people with cars built as late as 1949 and 1950 are willing to stand pat with what they have when they see the kinds of cars that are being put on the market today?

Consider also these facts: 17 million families in this country have no car at all. Of every 100 families that do own cars, 89 have only one car. Thirty-seven of every 100 of the nation's farms do not have passenger cars. And 66 of every 100 farms have no trucks.

Facts like these point to opportunities. The market is there—waiting for men who have the will to do some real selling.

The Housing Market

Let's look at another kind of market, one that is just as important to the economy as the automobile market. I mean the market for housing—and the equipment needed in a modern house. In 1950 the census takers collected some facts on housing that point up some more rather startling market opportunities. In the first place, about half of the 46 million dwelling units in 1950 were built about the time of the first world war or earlier. Now a good many of those old houses and apartments will be doing duty when the Census is taken in the year 2050, but a good percentage of them are ready right now for replacement. And an even larger percentage of them are ready for a thorough modernization. It is hard to believe, for instance, that nearly 8 million of the dwelling units counted in 1950 had no piped running water, and that another 6 million had only cold running water inside the structure. The occupants of more than 4 million dwelling units were found to be using ice for refrigeration; and in another 4 million units there was not even an icebox. And here is another fact that is hard to believe: Six and a half million dwelling units had no kitchen sink!

Facts like these indicate that we have a long, long way to go before we satisfy, let alone saturate our markets for housing and automobiles and the manifold conveniences of modern life. And with our population growing as it is, no one of us here today will live to see the demands of those markets fully met.

But there is more to building bigger markets than just producing goods and services to meet the needs of a dynamic, growing, never-satisfied population. The desire of people to live better tomorrow than they did yesterday is without any doubt the strongest force in creating bigger markets. But this desire is not, by auy means, entirely automatic.

To a remarkable degree, American business creates its own markets as it goes. It creates markets by designing and building products that have an irresistable appeal. It creates markets by extending financial credit — by making it possible for millions of people to pay for the things they buy while they are enjoying their use. It creates markets by informing the public day after day of the pleasures, the economics, and the advantages of the goods and services it produces and makes available. And it creates markets by investing in constantly improving methods of production—thus building into products more value, often at lower prices.

A short time ago I had occasion to examine the specifications of the first Chrysler car that was presented to the public. That was in 1924, just 30 years ago. In some ways that first Chrysler was very impressive. It had four-wheel hydraulic brakes. It had a high-speed, high-compression engine with the highest compression ratio to be found at that time in production cars. The pistons were made of aluminum. The engine was lubricated by filtered oil under pressure. The carburetor was equipped with an air cleaner. Certain other features of that 1924 Chrysler, however, reveal how far we have come in 30 years. The standard model was a touring car equipped with curtains. Our company advertised with pride that the top could be folded or raised by one man. The standard wheels were made of wood. The horse-power rating was 68. And the body was constructed of pressed steel over a hardwood frame.

Some of us might like to own one of those first Chryslers—but only for sentimental reasons. Just compare that first Chrysler, which was a sensation in its day, with one of our current, almost completely automatic models, in which you can ride with complete ease and with three and a half times as much power at your command, and which can be driven with less effort than it takes to sit down and eat a good steak.

Now let's look at the comparative prices of these cars built a generation apart. The factory retail price of the 1924, 6-cylinder Chrysler was $1,595. Today the factory retail price of a valve-in-head V-8 Chrysler New Yorker, equipped with power steering, power brakes and PowerFlite transmission, is $3,346. Included in the current price is about $700 in Federal and state taxes—whereas in 1924 the tax hidden in the price of a car was certainly not much over $100. Also included in this current price is about $1,000 worth of inflation—since today's dollar will buy less than two-thirds as much as the 1924 dollar. So we can conclude that the price of one of today's Chryslers is about the same as the price of that first 1924 Chrysler — in terms of what the customer's dollars will buy. And what a difference between the two cars in terms of performance, style, comfort, safety and satisfaction!

This process of increasing efficiency, improving products and building in greater product value goes on in industry after industry. I noticed not long ago, for instance, that the producers of cortisone—the drug that has meant so much to people suffering from arthritis and asthma—has been reduced in price during the last three years from $200 a gram to less than $5 a gram. This is the result of heavy investment in research and better equipment.

Similar stories could be told about the results of investment in cutting the production costs and the prices of the light metals, of many home appliances, of plastics, synthetic fabrics, and so on and on.

The Job for the Salesman

Nothing industry does to improve its products and its production methods is going to keep the economy moving ahead, however, unless the products move across the counters and out of the showrooms and into the hands of customers. And this is the job of the salesman. The intelligent, resourceful, effective salesman—the man who knows his product and knows how to move it—is once again the man of the hour. Product advertising and product display are important, but it is the actual demonstration of the product that closes the most sales. Everyone in the automobile business knows that the all-important thing is to get the customer into the showroom and then put him behind a wheel. And during the months to come you can expect the efforts to bring people close to the product to become more and more intense, not only in the automobile business, but in many other lines.

One of your fellow bankers, Mr. Richard Courts of Atlanta, said recently: "We have mastered production, but we have not yet mastered consumption." In so saying, he laid the problem right on the line. The mastery of this problem is an assignment — the top assignment—for the country's salesmen. To a greater extent than many people realize — the health of the nation's business this year and in years to come will depend on the success with which the salesmen of America persuade the people of America to live as well as they can afford to live.

The main responsibility for creating healthy markets in the year ahead rests with the businessman. His decisions on investment in plant and equipment will determine the size of the market for capital goods. His ingenuity in creating new and more attractive products and his vigor in selling those products will be prime factors in determining the size of the market for consumer goods. And people's ability to buy those goods will be determined to a great extent by the amount of consumer credit available from financing agencies—which means ultimately from the banks. But businessmen of all kinds—the banker, the industrialist, the real estate man, the automobile dealer and the salesman — all need the right atmosphere for their efforts. And I mean the atmosphere that is created by the policies and the attitudes and the actions of the Federal Government in Washington.

I believe the nation is going to enjoy more of what it has had during the past year—good government, sound government, and realistic government. I like the evidence I have seen that the present Administration is realistic and practical in its thinking, and resilient and resourceful in its approach to the ever-changing problems of our time. In the modern world of industry and government we have had enough of doctrines and formulas and slogans that commit individuals and groups to an unalterable course.

Business Unler Our Political Leadership

As businessmen, all of us are most immediately concerned with the effects of political leadership on the state of business—and particularly on the size of the markets for the things business has to sell. Confining myself to this area, and admitting fully that I have a businessman's interest in continued good business, I would like to suggest that so far as your own areas of immediate interest are concerned, there are three directions of effort indicated by the President in his recent messages that are of the greatest importance to business — and they deserve the support of everyone who want to see good markets in the months ahead:

(1) **Stimulation of business investment through accelerated amortization of expenditures for plant and equipment.**

To the extent that business is permitted to write off its capital investments in shorter periods than those now required, there will be more incentive to invest in new equipment, in research and in better plants. This is one of the most effective ways government can help build markets. The immediate effect would be a better market for capital goods; but an even more important result would be the creation of new products and new productive processes. This is one way to get down to fundamentals in making better markets.

(2) **Realistic policies affecting the volume of credit.**

I believe we need a "steady" dollar that will be worth at least as much tomorrow as it is today. I also believe we need adequate credit to finance business expansion, credit to finance the purchase of houses, and credit to finance the purchase of cars and a hundred other kinds of consumer durables. Realistic, hard-headed thinking by the nation's banking fraternity—working with the Treasury and the Federal Reserve System — can give us a flow of credit gauged to the needs of a growing economy, and a sound dollar besides.

(3) **Strong support by the Federal Government of local efforts in the building of an adequate highway system.**

As a worker in the automobile industry I have a strong and immediate interest in the building of better roads. Naturally, they mean better markets for automotive products of all kinds. I believe most people will agree with me, however, that to increase the efficiency of the economy and the convenience of living the nation needs an adequate systems of roads, streets and highways. To bring our sadly neglected highway system up to date will require an expenditure of at least $7 billion a year for the next 15 years. Most of the work of planning and building this system will be done by the states, counties and cities. It is the states that must take the initiative, and provide the bulk of the funds, and it is the states that must provide leadership to local governments in planning and building the all-important expressways and arteries leading into the cities. At the same time, however, the Federal Government should continue its participation in the program so as to provide balance and coordinated effort and professionalized standards of road practice.

The vast American market has been created in great part by our willingness in the past to build, maintain, improve and extend the world's greatest system of highway transportation. To keep our markets vigorous and expanding we must go on working at that job.

Our Reporter's Report

The current advance in the seasoned market and consequent dip in yields on high-grade corporate bonds is not causing any particular speed-up of plans of potential borrowers to enter the money market.

Prevailing sluggishness in the new issue market is not, however, causing any undue concern among underwriters perhaps for the reason that they are confident the business will develop in due course.

But, at the moment it seems that prospective borrowers are leaning a bit to the cautious side waiting to see which way the winds of business will blow. It had been indicated that there might be a slight tapering off of outlays for new plant this year as compared with last.

Since the announcement by General Motors Corp. of its plans to spend more than a billion for expansion and improvements about a week ago, however, the thinking has been more in the other direction.

It may be that the rank and file of prospective borrowers is disposed to wait and see what kind of a deal the Treasury will offer holders of its securities due to mature during February and early March.

There is no gainsaying the fact that the government market has been putting on a really impressive show over the last couple of months. Feeling is that the Treasury's offer will come by the end of the week.

Out With a Rush

Bankers who brought out what will ultimately be Northern Illinois Gas Co.'s $60,000,000 of 25-year first mortgage bonds, found the market in a really receptive mood.

The issue is designated originally as an obligation of Commonwealth Edison Co., but by assumption, will become the debt of Northern Illinois Gas when the latter acquires the gas and heating properties of the big utility upon consummation of plans now in the works.

Brought out at 102, the issue, carrying a 3½% coupon, offered an indicated yield of 3.38%. This proved attractive to pension funds and institutions throughout the country.

Subscriptions were reported extremely heavy, requiring some scaling-down of allotments.

Labor Union Funds

The investment world is inclined to cast a weather-eye on the activities of labor unions in the lending field. These organizations with their huge treasuries, are showing an increasing tendency to put at least part of their cash into industrial ventures.

Only recently the Teamsters Union (AFL) was reported as buying into Fruehauff Trailer. Currently the same group is reported to be offering trucking firms financial aid in replacing equipment and otherwise modernizing their businesses.

The mounting proportions of such accumulations of wealth naturally stirs bankers to wondering just how far this new element may develop in the form of new competition in their field.

Treasury Plans

Wall Street was strongly inclined to anticipate some announcement of its refinancing plans by the Treasury within the next few days.

It was noted that Sec. Humphrey must provide for the maturity of about $8,100,000,000 of 2¼% certificates due Feb. 15.

And it was assumed that he would, at the same time, make provision for the $4,700,000,000 of 1⅜s, due for payment on Mar. 15.

Considering the current strength in the long end of the government market, it was indicated that dealers are not expecting anything in the way of new long-term financing at this time.

Business Man's Bookshelf

East Africa Year Book and Guide—1954 Edition—with atlas and folding map — H. W. Wilson Company, 950 University Ave., New York 52, N. Y. (cloth), $3.

Fiber Facts: 1954—Booklet giving physical properties of all major man-made fibers with up-to-date glossary of textile terms—American Viscose Corporation, 1617 Pennsylvania Boulevard, Philadelphia 3, Pa.

Forecasting — 11 articles dealing with the methods and data on which forecasts of general business activity in 1954 are based —"Journal of Business" for January—School of Business of the University of Chicago, University of Chicago Press, 5750 Ellis Avenue, Chicago 37, Ill. —$1.75 per copy.

1954 Pay Almanac — Survey of major problems and opportunities in rank and file and management pay during 1954—William J. Casey, J. K. Lasser & Walter Lord—Business Reports, Inc., Roslyn, L. I., N. Y. —$12.50.

Our Military Government — John M. Swomley, Jr. — National Council Against Conscription, 1013 Eighteenth Street, N. W., Washington 6, D. C. (paper), 15¢.

Southern Africa Year Book and Guide—1954 Edition—with atlas — H. W. Wilson Company, 950 University Ave., New York 52, N. Y. (cloth), $3.

Transport and the State of Trade in Britain — Thor Hultgren — National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y. (paper), $1.50.

DIVIDEND NOTICE

RICHFIELD
dividend notice

The Board of Directors, at a meeting held January 18, 1954, declared a regular quarterly dividend of 75 cents per share on stock of this Corporation for the first quarter of the calendar year 1954, payable March 15, 1954, to stockholders of record at the close of business February 15, 1954.

Cleve B. Bonner, *Secretary*

RICHFIELD
Oil Corporation
Executive Offices: 555 South Flower Street, Los Angeles 17, California

DIVIDEND NOTICES

AMERICAN & FOREIGN POWER COMPANY INC.
Two Rector Street, New York 6, N. Y.
COMMON STOCK DIVIDEND

The Board of Directors of the Company, at a meeting held January 22, 1954, declared a dividend of 15 cents per share on the Common Stock for payment March 10, 1954 to the stockholders of record February 10, 1954.

H. W. BALGOOYEN,
Vice President and Secretary.
January 22, 1954.

AMERICAN GAS AND ELECTRIC COMPANY
Common Stock Dividend

A regular quarterly dividend of forty-one cents ($.41) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable March 10, 1954, to the holders of record at the close of business February 8 1954.

W. J. ROSE, Secretary
January 27 1954

The American Tobacco Company
111 Fifth Avenue New York 3, N. Y.

194TH COMMON DIVIDEND *and* AN EXTRA DIVIDEND

A regular dividend of Eighty-five Cents (85¢) per share and an extra dividend of One Dollar ($1.00) per share have been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on March 2, 1954, to stockholders of record at the close of business February 10, 1954. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*
January 26, 1954

Allied Chemical

Quarterly dividend No. 132 of Sixty Cents ($.60) per share has been declared on the Common Stock of Allied Chemical & Dye Corporation, payable March 10, 1954 to stockholders of record at the close of business February 11, 1954.

W. C. KING, *Secretary*
January 26, 1954.

Dennison MANUFACTURING COMPANY
Framingham, Mass.

DIVIDEND NOTICES

Debenture: The regular quarterly dividend of $2.00 per share on the Debenture Stock will be paid Mar. 3, 1954, to stockholders of record Feb. 8, 1954.

"A" Common and Voting Common: A quarterly dividend of 30 cents per share on the "A" Common and Voting Common Stocks will be paid Mar. 3, 1954, to stockholders of record Feb. 8, 1954.

A. B. Newhall, *Treasurer*

110TH YEAR

DIVIDEND NOTICES

Borden's
DIVIDEND No. 176

An interim dividend of sixty cents (60¢) per share has been declared on the capital stock of *The Borden Company*, payable March 1, 1954, to stockholders of record at the close of business February 9, 1954.

E. L. NOETZEL
January 26, 1954 *Treasurer*

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 142 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable March 1, 1954, to stockholders of record at the close of business on February 5, 1954.

GERARD J. EGER, Secretary

SOCONY-VACUUM OIL COMPANY
INCORPORATED

Dividend No. 172 January 26, 1954

The Board of Directors today declared a quarterly dividend of 50¢ per share on the outstanding capital stock of this Company, payable March 10, 1954, to stockholders of record at the close of business February 5, 1954.

W. D. BICKHAM, *Secretary*

SOUTHERN NATURAL GAS COMPANY
Birmingham, Alabama

Common Stock Dividend No. 60

A dividend of 35 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable March 13, 1954 to stockholders of record at the close of business on March 1, 1954.

H. D. McHENRY,
Vice President and Secretary.
Dated: January 23, 1954.

HOOKER ELECTROCHEMICAL COMPANY

$4.25 Cumulative Preferred Stock Dividend

The Board of Directors of Hooker Electrochemical Company on January 20, 1954 declared a quarterly dividend of $1.0625 per share on its $4.25 Cumulative Preferred Stock, payable March 25, 1954 to stockholders of record as of the close of business March 2, 1954.

Cumulative Second Preferred Stock, Series B Dividend

The Board of Directors of Hooker Electrochemical Company on January 20, 1954 declared a quarterly dividend of $1.05 per share on its Cumulative Second Preferred Stock, Series B, payable March 25, 1954 to stockholders of record as of the close of business March 2, 1954.

Common Stock Dividend

The Board of Directors of Hooker Electrochemical Company on January 20, 1954 declared a quarterly dividend of Fifty Cents ($.50) per share on its Common Stock, payable February 25, 1954 to stockholders of record as of the close of business February 2, 1954.

ANSLEY WILCOX 2nd
Secretary

—*From the Salt of the Earth*— HOOKER CHEMICALS

DIVIDEND NOTICES

United States Pipe and Foundry Company
New York, N. Y., January 21, 1954

The Board of Directors this day declared a quarterly dividend of seventy-five cents (75¢) per share on the outstanding Common Stock of this Company, payable March 19, 1954, to stockholders of record on February 26, 1954.

The transfer books will remain open.

UNITED STATES PIPE AND FOUNDRY COMPANY
JOHN W. BRENNAN, *Secretary & Treasurer*

UNION CARBIDE
AND CARBON CORPORATION

A cash dividend of Fifty cents (50¢) per share on the outstanding capital stock of this Corporation has been declared, payable March 2, 1954 to stockholders of record at the close of business February 5, 1954.

KENNETH H. HANNAN,
Secretary and Treasurer

The United Gas Improvement Company

DIVIDEND NOTICE

A quarterly dividend of 45c per share on the Common Stock, par value $13.50 per share, has been declared payable March 31, 1954 to stockholders of record March 1, 1954.

A quarterly dividend of $1.06¼ per share on the 4¼% Preferred Stock has been declared payable April 1, 1954 to stockholders of record February 26, 1954.

JOHNS HOPKINS, Treasurer
Philadelphia, January 26, 1954

THE TEXAS COMPANY
206th
Consecutive Dividend

A regular quarterly dividend of seventy-five cents (75¢) per share on the Capital Stock of the Company has been declared this day, payable on March 10, 1954, to stockholders of record at the close of business on February 5, 1954. The stock transfer books will remain open.

ROBERT FISHER
January 22, 1954 *Treasurer*

Southern Railway Company

DIVIDEND NOTICE

New York, January 26, 1954.

Dividends aggregating 3¾% on 1,200,000 shares of Preferred Stock of Southern Railway Company of the par value of $50 per share have today been declared, payable as follows:

Amount	Date of Payment	To Stockholders of Record at the Close of Business on:
1¼% (62½¢)	Mar. 15, 1954	Feb. 15, 1954
1¼% (62½¢)	June 15, 1954	May 14, 1954
1¼% (62½¢)	Sept. 15, 1954	Aug. 13, 1954

A dividend of sixty-two and one-half cents (62½¢) per share on 2,596,400 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1953, payable on March 15, 1954, to stockholders of record at the close of business on February 15, 1954.

An extra dividend of one dollar ($1.00) per share on the 2,596,400 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1953, payable on February 16, 1954, to stockholders of record at the close of business February 5, 1954.

J. J. MAHER, Secretary.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — It is altogether likely that Congress, in framing U. S. foreign trade and investment legislation this year, will be influenced little if any by the recommendations of the (Randall) Commission on Foreign Economic Policy.

This is because, on balance, the report accepts the assumption that the "dollar shortage" of western Europe is a chronic affair, that there is relatively little that the foreign governments can do about it, and that pretty much the primary responsibility for solving the "dollar shortage" is the burden of the United States through numerous proposals to get the dollar abroad.

To be sure, the report appears to draw a balance between domestic and foreign considerations in the whole problem of alleged trade and currency imbalance.

For instance, the report recommends the termination of economic aid as soon as possible.

Furthermore, it is suggested that foreign military aid be handled carefully, in particular so that off-shore procurement will not be used as a substitute for economic aid.

It is recommended that technical aid be confined to "sound projects," though what is a sound project is not defined.

Mr. Randall's commission recommends that the United States back vigorously the establishment of a sound climate abroad for investment, and suggests that the treaty approach be worked toward achieving such a climate hospitable to foreign investments.

Commodity agreements are recommended against, and this will find favor with Congress, except for farm commodities which might become subsidized through the device of an international commodity agreement like the wheat agreement.

The report appeared to surprise some with its recommendations for retention of the escape clause, which many observers figured would be rated as verboten as it is with all the internationally-minded.

Finally, the Randall Commission avoided any proposal for a broad, unilateral lowering of impediments to importation of foreign merchandise into the U. S.

Negates Balance

On the other hand, even these apparent attempts at a balanced outlook appeared to the Hill to be negated by the report itself.

Thus, while the report recommended that technical aid be confined to sound projects with sound and capable personnel, it also recommended, those requirements being satisfied, that the technical or Point IV aid be prosecuted vigorously.

There is a considerable volume of opinion on the Hill which, even if not altogether vocal, is skeptical of the Point IV concept. They feel that you cannot eradicate disease, drain malarial swamps, etc., thereby saving millions of lives, if you don't simultaneously make it possible to increase vastly the food production to feed those millions of mouths thus saved and you can't increase food supply if you can't invest heavily in foreign agriculture, in agricultural education, and in all the other economic things that go to boost a backward country's production and distribution.

Regardless of the commission recommendation against offshore procurement as a form of substitute for economic aid, that is regarded as just what the economic effect of off-shore procurement is. In this respect the present Administration (and the previous Administration) planned a heavy off-shore procurement program as a way to put foreigners in dollars that they could not continue to be given by a Congress increasingly hostile to economic aid.

So this recommendation counters Administration wishes.

Congress also is bound to become increasingly hostile to off-shore procurement, particularly as spots of unemployment show up in the voting bailiwicks. Congress probably will tie some amendment cans onto that particular dog's tail this year. Off-shore procurement on a heavy scale lost its chief popular support when scarce materials became plentiful.

Let President Forget Escape Clause

While the Randall Commission purported to recommend retention of the escape clause, it proposed that the President could simply ignore the recommendations of the Tariff Commission for its use. This will be as welcome on the Hill as an epidemic of smallpox on the Senate floor.

Prefers Foreign Investment

In its recommendations respecting treatment of foreign investments the Randall Commission revealed, as its other proposals, its primary concern with getting U. S. dollars abroad.

The report proposed that corporations making foreign investments get a 14 percentage point preferential tax on the returns from such investments. One can imagine the reaction upon even such a "liberal" as Senator Mike Monroney (D., Okla.) of such a scheme, if oil drillers took their rigs to Alberta and Saskatchewan and away from Oklahoma and Texas, if such a provision were enacted into law.

Furthermore the report recommended that adjustments be given taxwise to individuals as well as to corporations, upon their returns from foreign investments, and that more liberal credits be given generally for foreign taxes.

Recommend Guarantees

Another of the Randall Commission ideas which will please Congress about as much as an aggravated case of the hives, is that the program for guaranteeing foreign investments against losses due either to restrictions against convertibility or to expropriation, be embellished and glorified.

The Commission would also add to the insurable risks, losses from revolution or war.

The Randall Commission like many others trying to force American investment abroad, can't understand that if the net result of years of labor, ardent hope, planning and uncertainty over a foreign venture is only to get your money back with interest, the money would better go into municipals, higher wages for labor, fur coats for mistresses, or bonuses for executives.

Recommend Trade Deal Extension

Other recommendations of the Randall Commission included:

An extension of not less than three years in the Trade Agreements Act, giving the President power to cut import rates by 5% each year for the three years. Cut rates by 50% of the level of Jan. 1, 1945, where imports of commodities are negligible. Cut to 50% over a three-year period any rate of import duty exceeding 50%.

Order the Tariff Commission to simplify commodity definitions and rate structures. Congress should revise customs valuation.

Repeal the "Buy American" Act on a reciprocal basis. In other words, if foreign governments permitted free bidding by American firms on foreign government munitions contracts, then the U. S. should do the same. Meanwhile U. S. procurement agencies should be directed by the President to consider foreign bids on an equal basis with U. S. nationals.

(In view of the "dollar shortage" Congress would not be able to envision foreign governments accepting freely U. S. industry bids for ships, tanks, trucks, and aircraft even where they were cheaper.)

Drop the inflexible "price support program" and avoid subsidized exports. (The Eisenhower Administration wants to spend $300 millions a year to give away farm surpluses, the President asks.)

Urge investment by the United States in foreign raw material production, on the assumption that the U. S. is becoming a have-not nation as to raw materials and must underwrite foreign output.

Diminish the use of the American merchant marine and emphasize using foreign shipping, particularly repealing the legal requirement that U. S. aid goods generally must be shipped in U. S. vessels.

Require that American tariff benefits shall not be given to commodities produced by factories paying wages which are substandard within the exporting country (Senator Gene Milliken, Finance Committee Chairman, wanted to know how they would ever enforce that one).

Take a broader, sympathetic view toward East-West trade.

Opposes a "dash toward convertibility," but instead favors the gentle, slow approach toward this objective with the Monetary Fund playing a bigger part in bringing it about together with central banks.

Two Big Weaknesses

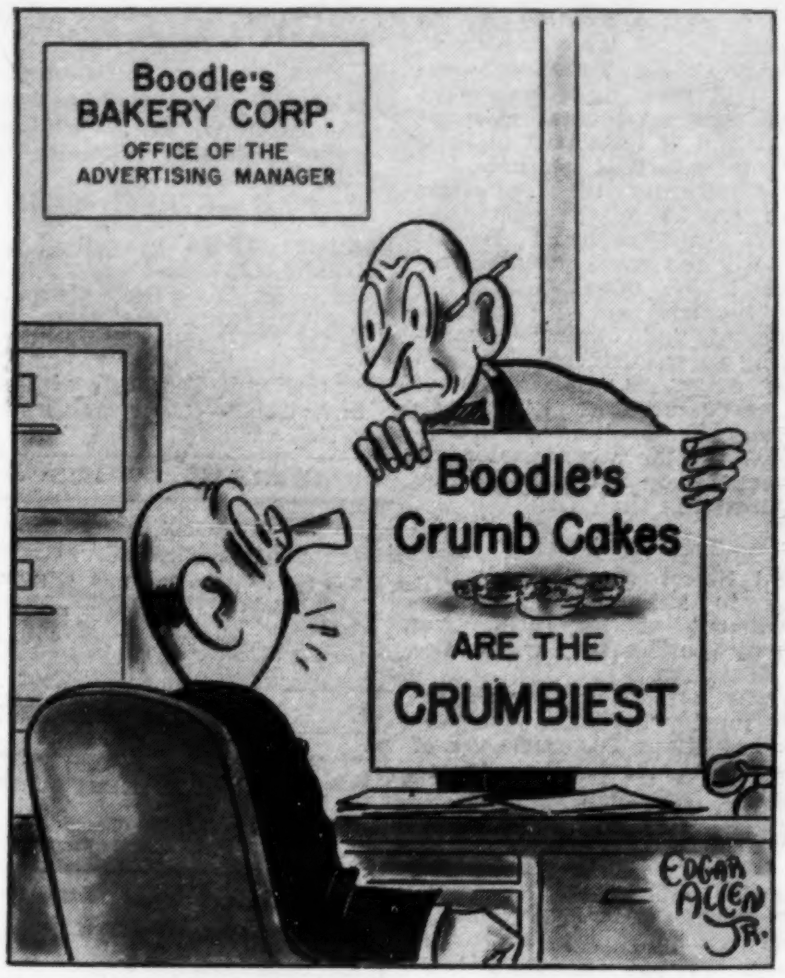
Congress, however, will see two broad, fundamental weaknesses in the Randall Commission report, apart from some features of the above which are obviously of politically doubtful value, like the proposal to think nicely of a greater trade between the western world and the Russian empire.

One of these is that Randall Commission does not give any noticeable weight to the fact that the "dollar shortage" has become the excuse for currency rationing, which is a device to limit imports, and which therefore becomes the 20th century substitute for the protective tariff. In other words, currency controls are used to avoid price and wage adjustments and a stimulus to improve a nation's efficiency and competitive position in world trade.

The other is that despite thousands of tariff rate reductions between the U. S. and foreign countries, the latter still restrict trade among themselves, dampen multilateral trade in many ways.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"I'm sort of undecided—do you think the public will place the right interpretation upon it?"

F. Eberstadt Elects Chandler & Burns

Ferdinand Eberstadt, President of F. Eberstadt & Co. Inc., 39 Broadway, New York City, has announced the election of Samuel Chandler, Jr., and Edward Burns, II, as Assistant Vice-Presidents.

Samuel Chandler, Jr.

Edward Burns, II

Mr. Chandler, active in the financial field since 1921, joined F. Eberstadt & Co. Inc. in 1944 and is in charge of sales for the eastern territory. Prior to this he had been associated with the securities firms of G. L. Ohrstrom, Ingalls & Snyder, and Bacon, Stevenson & Co.

Mr. Burns, who served as an army officer in World War II, joined F. Eberstadt & Co. Inc. on his separation from the service. He is in charge of sales for the mid-western territory and makes his headquarters in Chicago.